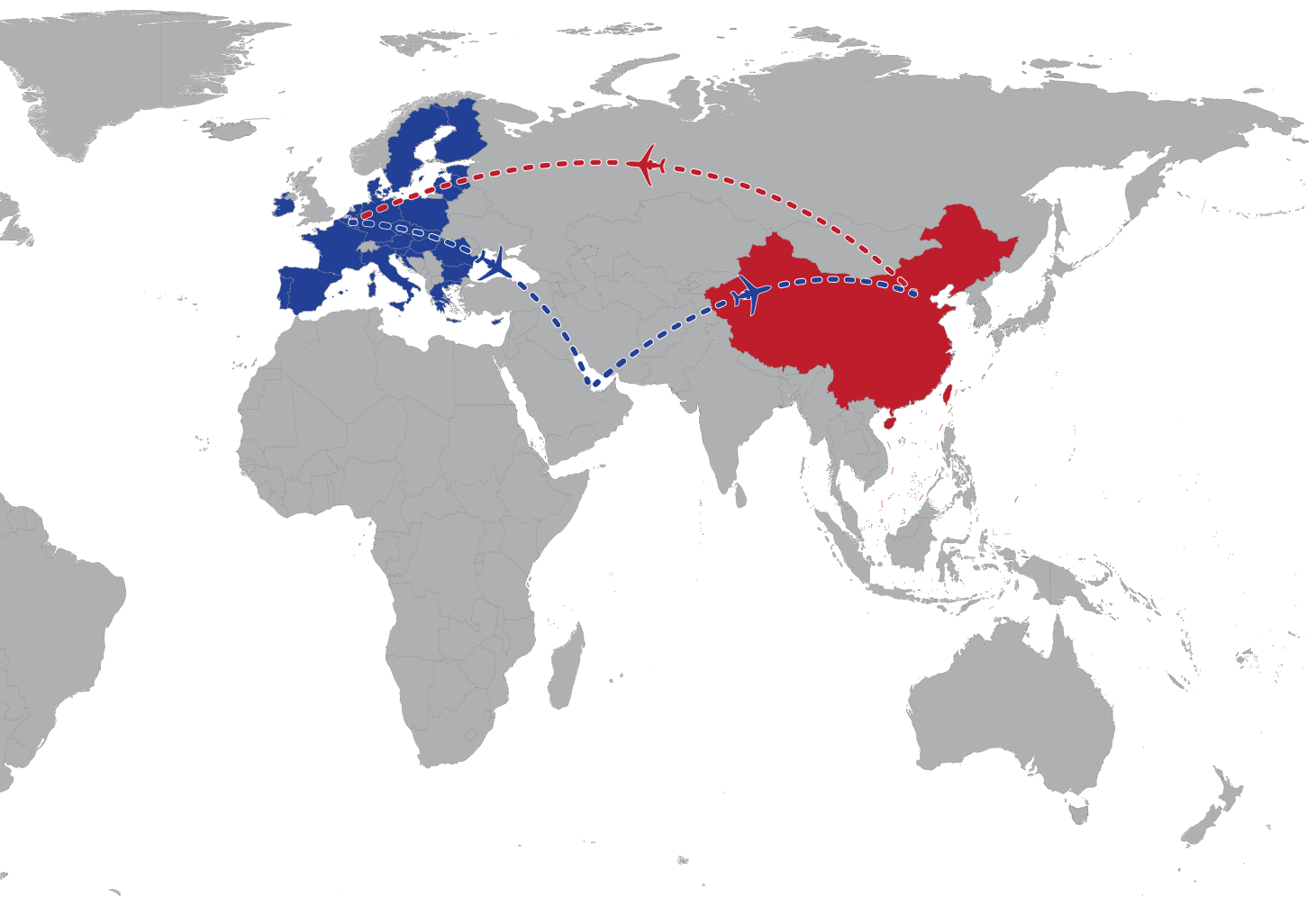


# China-Europe Relations

in a Multi-Polarizing World



Report by the China Think-tank Network on Europe (CTNE)

November 2024



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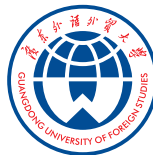
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China Think-tank Network on Europe





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## **Preface**

# **A More Constructive and Creative China-EU Relationship is in the Interests of the World**

Cui Hongjian, Professor at the Country and Area Studies Academy and Director of the Center of the European Union and Regional Development Studies, Beijing Foreign Studies University

We are living in a world undergoing rapid and profound change. Beyond recurring geopolitical conflicts, a stagnant global economy, and extreme weather events, the most formidable challenge lies in humanity's confronting an alarming crisis of epistemological faulting and cognitive fragmentation. Existing knowledge paradigms prove increasingly inadequate in making sense of contemporary complexities, while the intensifying intergenerational divide exacerbates intellectual fractures within nations and societies. The scars inflicted upon interpersonal and international relations by COVID-19 have yet to heal fully, while identity politics, symbiotically linked with the "resurgence of geopolitics", continues to intensify. The global village keeps dividing. Though the world remains flat, barriers are being reconstructed in some places. The perception of "global citizenship", once an inevitable byproduct of economic globalization, is being superseded by increasingly potent national, ethnic, and local identity perceptions. While countries and groups maintain their commitment to dialog and communication, the aspiration for consensus frequently succumbs to entrenched, divergent perspectives. Consequently, the pervading sense of insecurity stems not merely from concerns about survival, developmental predicaments, and the intergenerational divide but also from fears of isolation and insularity precipitated by ineffective communication and the resultant mutual misunderstanding, exclusion, and hostility.

We all aim to harness such shifts and shape the future in line with our visions. These efforts manifest in gradual disillusionment with economic globalization, wherein free trade and open economies are increasingly perceived as "naive" ideals from which we continue to distance ourselves. Among them is a quest for a new balance between developmental imperatives and security to sustain the shared benefits derived from the

global division of labor. While some countries adopt confrontational approaches in their attempt to disrupt the current landscape and reconstruct the order, others choose to embrace change and refine reality through moderate, incremental approaches. Irrespective of the underlying intentions or methodologies employed, if one adheres to a logic predicated on self-interest and zero-sum games, refuses communication and engages in conflict, it will only render these shifts harder to manage and potentially yield consequences contrary to what we hope for. The current global turbulence and disorder serve as constant reminders of this reality.

In this world of constant change and perplexity, China and Europe, as partners, face an urgent imperative to find a path forward through dialog, enabling them better to understand the world, themselves, and each other. Only by doing so can they identify real challenges and pursue shared solutions through cooperation rather than resorting to competition and confrontation. Despite the recent decline, the daily trade volume between China and the EU stays above EUR 2 billion. The China-EU relationship is still an impressive achievement for both sides, which have demonstrated mutual benefit and convergent interests over nearly five decades, interspersed with frictions and divergences. More importantly, amid global turbulence and intermingled challenges, China and the EU should catalyze the latent potential of dialog and cooperation. Both sides have to recognize their capacity to contribute to global growth and prosperity jointly and to collaborate in formulating viable solutions for achieving peace, enhancing governance, and mitigating differences. Furthermore, their partnership could provide a convincing example for humanity to ultimately address the crisis of epistemological faulting and cognitive fragmentation. Given the monumental responsibilities bestowed by this transformative era, China and the EU have no alternative but to pursue dialog and cooperation.

As Chinese scholars deeply engaged in European studies and earnestly committed to ongoing dialog with our European counterparts, my colleagues and I firmly believe that our aspirations for human progress, our view of Europe, and our understanding of China-EU relations do not allow facile acquiescence to the current reality though it may sometimes fall short of expectations and wear down ideals. To this end, European studies scholars from China's most prestigious academic institutions and think tanks have resolved to establish a "**Chinese Think-tank Network on Europe**". This initiative aims



to present, through our collective endeavors, the Chinese academic community's comprehensive understanding of Europe and our profound concern for China-EU relations. We intend to provide a platform for continuous engagement with our European colleagues by producing and publishing research reports, thereby contributing to Europe's enhanced "capability when working with China".

Our inaugural report is intended to provide a foundational overview of the current state of China-EU relations at this critical juncture of "profound changes unseen in a century" and "Zeitenwende". We hope to encourage deep contemplation on the environment surrounding this essential bilateral relationship, its distinct characteristics, its driving forces, and the underlying patterns of change. Through ongoing observation and nearly a year of drafting, this report addresses three central questions: **How do shifts in the global environment and outlooks shape China and the EU's self-perception and understanding of each other? How can China and the EU move beyond economic challenges to discover new paradigms and models for shared interests at a higher level? How does geopolitics open up opportunities for deeper understanding and consensus between China and the EU despite engendering divergences between the two?**

The following summarizes our thoughts and conclusions on the questions above, as presented in this report.

**1. Identifying the thematic essence and trajectory of contemporary transformations, the environmental pressures exerted upon China-EU relations, and the requisite capacity for mutual understanding are paramount to properly understanding the dynamics of their relationship.** The opening chapter of our report is dedicated to exploring this crucial consideration, presenting our insights in three articles, namely "China-EU Relations in Global Politics", "The EU's Multipolar Perception and China-EU Multilateral Cooperation", and "From Strategic Partners to 'Institutional Rivals': Cognitive Barriers in China-EU Relations". They delve into the evolving global political and economic landscapes, compare China's and the EU's respective worldviews and global governance perspectives, and identify shifts in mutual perceptions between the two sides. These three perspectives reveal the intricate nature and extensive ramifications of China-EU relations, help track the interconnections between the China-EU relationship and evolving ideas, historical contexts, and global transformations, and

examine the multi-dimensional and multi-layered factors influencing the changing dynamics of this relationship.

In examining global political dynamics, the authors take an international political economy perspective, analyzing changes in the global market logic shaped by the rise and decline of neoliberalism, resultant social divides, and shifts in the nature of international trade. They also rigorously examine major political phenomena currently galvanizing Europe, including populism, nationalism, and pluralism. From analyses, the authors conclude that “Both China and the EU face similar ideological challenges and structural changes within the same global political framework. Their value systems and interests display significant differences despite alignment on many fronts”. Their conclusion posits a rational optimism for China-EU relations, asserting that “both sides need to thoroughly understand the ‘process structure’ of modern global politics or the key forces driving political change to avoid clinging to outdated ideas and frameworks with rigid conservatism”, opening the door to a truly progressive and transformative future.

The discussions on the multipolarity of the global landscape and the rise of multilateralism sheds light on the “significant differences despite alignment on many fronts” that characterize China-Europe relations. The authors thoroughly analyze Europe’s cognitive evolution in the discourse on multipolarity and multilateralism. They incisively note that while the EU seeks to maintain continuity and integrity in its understanding of multipolarity, it has undergone a convoluted trajectory from rejection to introspection, partial acceptance, and reinterpretation, influenced by shifting internal and external political objectives, international and regional dynamics, and evolving discourse in foreign policies across different historical periods. This journey reflects Europe’s ongoing effort to align with “multilateralism”, a core element of its strategic discourse. The practical importance of exploring multipolarity and multilateralism lies in the recognition that, despite differing interpretations of the global landscape and international order, a shared opposition to unipolarity and hegemony can serve as a common objective. The existing foundation of multilateral cooperation and the growing demands for strategic consensus between the two can drive progress toward this shared goal.

The complex relationship between China and the EU in conceptual and perceptual realms

is further reflected in their approaches to mutual understanding and institutional differences. China's rapid changes have surpassed Europe's cognitive framework, historical experience, and political expectations in recent years. Under the influence of Europe's intricate political psychology and public discourse, these changes have sparked a mix of curiosity, admiration, confusion, and apprehension toward China. This has directly influenced European elites' policy thinking and actions, seemingly providing the EU with a rationale to develop a unified China policy and pursue "institutional competition". In practice, however, this has led to significant divergences in national interests and varying perspectives and policies on China across European countries. Underlying these shifting perceptions lies a complex psychological disposition reflected in some European opinions, characterized by discomfort with and resistance to profound changes in the international order and China's firm commitment to its own path, yet coupled with perceived inability to exert influence. This psychological barrier poses a challenge that China and Europe must address together, demanding a process of knowledge system renewal or reconstruction. In Europe, this process is framed as a knowledge goal to rebuild "China competence" or as a political task to "get China right". Regardless of the name or aim, open and continuous cultural exchanges and intellectual dialog are essential. Knowledge innovation without mutual exchange and the resulting changes in perception can only lead to disaster.

**2. Recognizing fundamental shared interests and achieving higher levels of sustainable development are preconditions for safeguarding the economic foundation of China-EU relations.** The finalization of this report coincides with the EU's decision to impose five years of anti-subsidy duties on electric vehicles from China. This development marks a crucial juncture in the evolution of China-EU economic and trade relations, signaling a transition from cooperation based on leveraging their complementary strengths to one characterized by both cooperation and competition and demanding cooperation at higher levels. In "China-EU Economic and Trade Relations: Between Cooperation and Competition", the authors systematically analyze the current state of China-EU relations in trade, investment, and industry by employing a comprehensive methodology and abundant empirical data. The article highlights the impact of the EU's "de-risking" policy towards China, especially the origin and evolution of the dispute between China and Europe in the electric vehicle sector. After analyzing

the root causes of geopolitical shifts and competitive forces, it concludes that decoupling is not a viable option for China-EU economic relations while emphasizing the need to seek breakthroughs in emerging green and digital domains and explore strategies for upgrading cooperation to achieve mutual benefit. In “EU’s Supply Chain Security Strategy and Its Impact on China-EU Relations”, the author provides a meticulous dissection of the EU’s supply chain security strategy and reveals the extraordinarily complex situation of China-EU economic relations under current geopolitical, economic transformation and geopolitical impacts, providing a vivid, intuitive, and detailed exposition of the urgency, necessity, and practicality for China-EU economic cooperation to jointly address common challenges rather than perceiving each other as threats.

**3. Jointly and effectively addressing geopolitical shifts and their disruptive impacts represents a new challenge and opportunity for China-EU relations amid changes in the contemporary global landscape.** Understanding the profound shifts in geopolitics and managing their disruptive impacts is a major challenge worldwide today and a new key issue for China-EU relations. The article “Consensus and Divergence in China-EU Perceptions of Current Geopolitical Crises” deals with how China and the EU assess and respond to the Ukraine crisis, the Israeli-Palestinian conflict, and the South China Sea dispute. The authors examine each side’s situational assessments and policy positions and analyzes their pragmatic interest considerations, complex environments of policy formulation and implementation, and policy outcomes. The authors conclude that while China and Europe differ significantly on issues such as forming alliances in response to crises, maintaining consistent positions across historical, current, and future security considerations, and prioritizing peaceful solutions to reduce tensions, there are also notable areas of consensus. Both sides share a strong opposition to the use of nuclear weapons, a preference for political solutions (notably China and some European countries), a commitment to balanced stances, and an interest in building inclusive regional security frameworks. Moreover, the scope for consensus between China and the EU may continue to expand as these crises escalate or spread. Notably, the consensus between China and the EU is particularly strong on the Israeli-Palestinian conflict compared to the Ukraine crisis.

Underlying the responses to real-world geopolitical challenges lies the evolution and articulation of security conceptions of China and the EU. The article “Dramatic Changes

in Europe's Security Outlook in the Wake of Two Conflicts" presents a rigorous chronological examination of the EU's security outlook since the conclusion of the Cold War. It analyzes the driving forces behind this transformation through the lenses of war and peace, development and security, and power and security. Focusing on the ongoing, prolonged Ukraine crisis and the Israeli-Palestinian conflict, the article examines the evolution of the European security approach as a composite of its "outlook on war", "outlook on power", "global outlook", and "outlook on order". It argues that for Europe to establish a sound, practical, and sustainable approach to security, it must cultivate new concepts, develop new frameworks, and strike a balance across multiple dimensions, including security and development, power distribution within the EU and its member states, strategic autonomy versus reliance on the US for security, and global governance and security governance.

From comparative analyses of practical policy responses to challenges to comprehensive summarizations of the evolution of the EU's security conceptions, this report's discussion of China and the EU's approaches to geopolitical challenges harbors more ambitious aspirations. It addresses the forward-looking topic of "China-EU security cooperation: foundations, pathways, and challenges". Shared security conceptions and visions, common practical needs, the absence of major geopolitical conflicts, and other facts provide a solid foundation for meaningful security dialog and cooperation between China and the EU. Although substantial divergences exist regarding security conceptions, threat awareness, action plans, practical capabilities, and external environmental factors, China and the EU could explore the potential for dialog and cooperation extensively across six main domains, namely nuclear non-proliferation and arms control, peacekeeping operations under the United Nations framework, counterterrorism, counter-piracy and counter-transnational crime, digital and cyber security, climate and energy security, and regional hotspot resolution. China and the EU can gradually strengthen strategic and security trust by building mechanisms and developing joint action plans. The security domain can serve as a new growth point for China-EU relations to facilitate conceptual alignment, institutional renovation and upgrading, and fulfillment of shared responsibilities, enabling the two sides to emerge as true strategic partners.

**4. Addressing emerging challenges like maintaining energy security, which arises from current transformations, while advancing consensus and action plans in the**

**areas of green and digital transitions represents a significant and unmissable opportunity for China-EU relations to forge a strong connection between their historical experience and promising future.** Though addressing distinct fields, the articles “Potential for China-EU Cooperation in Energy Security and Green Transition” and “China-EU Cooperation and Competition in Digital Realm” draw remarkably similar conclusions. In these emerging fields, China and the EU should avoid the pitfalls of “pan-politicization” and “pan-securitization”, strengthen and enhance cooperative intentions, continually explore new models for mutually beneficial collaboration, engage in deep dialog on regulatory frameworks, security governance, and technological capacity, and seize fleeting opportunities for cooperation. Energy, green, and digital transitions will not only reshape the current structure of China-EU economic and trade relations but also create opportunities to move beyond a model of simultaneous cooperation and competition, laying the groundwork for a more sustainable partnership on higher levels in the future.

Allowing for scholars’ inherent analytical instincts, this report does not require a rigid structure or logic. Instead, it encourages the authors to explore profound China-EU relations through their respective research interests and focal domains, examining specific facets or segments. Driven by a deep understanding of Europe and a realistic concern for the shifting dynamics of China-EU relations, the report provides a comprehensive overview, illustrating how transformations in Europe and China-EU relations are interconnected and mutually reinforcing. From these analyses, several key conclusions arise.

**1. The current changes in China-EU relations result from interacting factors encompassing global political evolution, cognitive logical shifts, economic structural reconfiguration, and geopolitical order transformation. Achieving stability, adjustment, or reshaping in China-EU relations requires systemic solutions.**

**2. The tremendous uncertainty in the world’s shift toward multipolarity and the current adjustments in economic globalization define the broader context of contemporary China-EU relations, while serving as the predominant sources of internal and external pressures.** Both China and Europe face challenges in adapting to these momentous changes in the international environment and continuously mitigating internal and external pressures. Focusing on shared challenges instead of perceiving each

other as threats is essential for stabilizing and advancing China-EU relations and unlocking their full potential.

**3. Despite the impacts of deglobalization and other complex factors, the economic sphere remains the most vital area with shared interests between China and Europe, reflecting the resilience of their relationship.** Supporting the evolution of economic globalization to be more inclusive and equitable aligns with both sides' interests. Ensuring sustainable China-EU economic and trade relations requires not a debate on “de-risking”, but rather a focus on jointly managing risks and establishing new cooperation models. The EU's current priority should not be asserting dominate rule-setting in areas like trade remedies, investment screening, and industrial policies, nor attempting to impose these through instruments such as duties, fines, lawsuits, or administrative intervention upon China. Instead, the EU should earnestly contemplate its interests in their intersection with those of China and engage in deeper dialog with China to foster coordination and alignment in rule-setting.

**4. Both China and the EU face significant risks, setbacks, and challenges from the rapid changes in geopolitics. A world increasingly marked by “geopolitical competition” and even conflicts between country groups does not serve either side's interests, which rest on a peaceful international environment and gradual reforms in the global order.** China and the EU should first establish a firm consensus of recognizing each other as security partners rather than rivals at the conceptual level, followed by reactivating and updating dialog channels to explore how to balance security with development, expand room for conflict prevention and crisis management, and build a comprehensive, cooperative, common, and sustainable security architecture across Eurasia. Additionally, China and the EU should enhance the frequency and depth of their engagement on issues like the Ukraine crisis, the Israeli-Palestinian conflict, and other current or emerging regional hotspots to produce practical, visible, and sustainable outcomes while strengthening mutual understanding.

**5. The unpredictable nature of global shifts calls for constructive and creative contributions from both China and Europe. Regular, scalable, and sustainable cultural exchanges and knowledge-sharing dialogs are essential to deepen mutual understanding, prevent misunderstanding, and collaborate on shared solutions amid unprecedented changes.** Both sides face the urgent task of “getting Europe/China

right”, yet building effective “China/Europe competence” depends on sharing knowledge and experience with openness and respect for differences. Only by staying committed to dialog and fostering active knowledge innovation, can China and the EU fundamentally provide the underlying logic for achieving creative development in China-EU relations, enhance their respective resilience, and provide more examples and greater confidence to a world in distress.



# **Structure and Identity Perception**





# **China-EU Relations in Global Politics**

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The current global political landscape is undergoing profound upheaval and significant changes. Europe, caught in a perpetual state of crisis, has become the eye of the storm, and due to its continuous shifts in ideology and policy adjustments, it has also emerged as one of the central arenas of change. Over the past decade, Europe has repeatedly made headlines with a series of unexpected events: Scotland's and Catalonia's independence movements, the eurozone's prolonged recovery from the debt crisis, the rise in terrorist attacks across Western Europe, the surprising Brexit, the EU's inability to reach an consensus on the immigration and the resulting refugee crisis, the failure of Italy's constitutional reforms, the successive electoral victories by far-right parties, and the protracted military conflict between Russia and Ukraine. The Middle East, on Europe's periphery, continues to grapple with rampant extremism and ongoing conflicts. In Africa, political instability, economic stagnation, and rising terrorism have driven waves of refugees to flee the continent. On the other part of Eurasia, nationalist leader Narendra Modi has introduced a series of radical reforms in India, while China faces immense security competition pressures as it adapts to a shifting development landscape. Beyond the Eurasian continent, the United States navigated the political turbulence during the Trump presidency, while South American countries like Venezuela and Argentina remain in deep uncertainty.

In the wake of the COVID-19 pandemic, many economies-imposed restrictions on the movement of people and trade, unintentionally heightening tensions among major powers. The spread of economic sanctions and protectionist policies has fueled the rise of "small yard and high fence" in the high-tech sector, straining the once-smooth relationship between trade and peace. This convergence of pressures has led to a sharp shift in political thinking across many countries, throwing the secular ideologies that

supported post-war global economic growth and a relatively stable world order into crisis. Populism, nationalism, racism, neo-fascism, extremism, and other movements, once on the fringes of the political spectrum, have begun challenging the mainstream politics. As a result, traditional parties are losing their ability to mobilize support, while political arenas are narrowing and policy options are becoming increasingly limited. Disillusioned and frustrated with both domestic and global orders, citizens have turned to referendums and other forms to push back against elite politics. Many increasingly support non-mainstream parties that promote conservative values and advocate radical change, seeking to spark societal shifts that feature critiquing globalization and returning to traditional norms.

Liberalism, which has dominated the ideological landscape since the end of the Cold War, is facing an unexpected setback. What makes this even more complex is that the decline is coming largely from the stable, affluent, and developed countries that have traditionally been its strongest advocates. Amid the profound effects of globalization and technological advancement, global politics has experienced complex and subtle ideological shifts. In Europe, this is evident in the breakdown of political consensus, reflected by Brexit and the French Yellow Vest movement. In the meantime, right-wing conservative parties like the Five Star Movement in Italy, the Party for Freedom in the Netherlands, the Danish People's Party, the Sweden Democrats, the Freedom Party of Austria, and Fidesz in Hungary have risen to prominence, winning general elections, even consecutively. The National Rally in France and Alternative for Germany have also steadily expanded their political influence. These emergent political forces place a far greater emphasis on sovereignty, national interests, and "national identity" than on neoliberalism and deep integration. An increasing number of people are coming to recognize a fundamental weakness within the EU, rooted in the concepts and logic behind neoliberalism and integration theory. This weakness cannot be entirely attributed to external shocks like the refugee crisis or terrorist attacks. However, Europe's current political rupture is not just a regional issue; it is being fueled by an ideological shift within the broader landscape of world politics.<sup>①</sup> The intellectual forces driving significant changes in the international landscape include the resurgence, emphasis,

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<sup>①</sup> Yang Guangbin, *World Political Theory*, Beijing: China Social Sciences Press, January 2021, p. 3.

reflection and debates related to populism, nationalism, and pluralism, to name a few. These ideological shifts and the dynamics behind them create a “historical context” that transcends the intentions of any individual actor, significantly impacting the comprehensive interactions between China and Europe. International political theory has consistently highlighted the importance of historical context since Hans J. Morgenthau. The same causal mechanisms may produce vastly different outcomes in different contexts. For instance, Morgenthau emphasizes the historical context crucial to the balance of power mechanism’s effectiveness when examining the mechanism’s functioning prior to World War I. He notes that in pre-war Europe, the monarchs and aristocratic rulers of European countries maintained frequent and close ties. Their relationships were built on familial ties, shared languages (such as Latin or French), common cultural values and lifestyles, and a mutual moral code on how gentlemen should conduct themselves.<sup>①</sup> This foundation of courtly politics and aristocratic culture fostered an internally homogeneous, self-contained society among the monarchs’ subjects. Professional diplomats, for example, established their own set of principles, customs, and philosophies of conduct. While driven by the diverse interests of their respective countries, they also clearly recognized the common interests of Europe as a whole. Building upon this political and social foundation, Morgenthau argues that the balance of power was a European reality, effective only under the specific conditions prevailing in Europe at that time. This is because the successful operation of the balance of power requires the existence of an implicit moral community.<sup>②</sup>

It would be easy to overlook the vital historical context when analyzing China-EU relations, or the bilateral relationship between China and any European power, exclusively through the lens of international relations. Thus, it’s essential to shift our focus back to this “historical context”, which is shaped by the interaction between the world market and political ideologies, and to ponder it over based on a reflection on

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<sup>①</sup> Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace* (7th Edition) (Xu Xin, et al., Trans.), Beijing: Peking University Press, 2006, p. 316.

<sup>②</sup> Carl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Feng Gang and Liu Yang, Trans.), Zhejiang People’s Publishing House, 2007; César Rendueles, *De la regresión global a los contramovimientos postcapitalistas*; Heinrich Geiselberger, *Eine internationale Debatte über die geistige Situation der Zeit* (Sun Bo et al., Trans.), Shanghai People’s Publishing House, 2018, pp. 224-242.

global political transformations. Only by placing the study of China-EU relations under the broader “dome” of the historical context of a shifting international order can we fully understand the spatial and temporal framework of their coexistence, recognize the common challenges they face, and prevent exaggeration of their differences and conflicts.

## **1. The World Market: The Rise and Decline of Neoliberalism**

The world market driven by globalization is a complex international political and economic phenomenon. Following the Cold War, “global capitalism” has become the fundamental characteristic of the world market. Its primary objective is to achieve the free flow of people, goods, and capital across geographical boundaries and to dismantle political and social barriers to the formation of a single global market. Proponents of global capitalism believe, in a sense, that the “laissez-faire” global market is fundamentally rational.<sup>①</sup> The Utopian vision of a self-regulating market has achieved a resounding victory on the international stage though it is thwarted by leftist propositions such as welfarism and trade unionism at the domestic level. Under the constant influence of neoliberalism, open economies have subtly pressured human societies to conform to the demands of a self-regulating global market. This suggests that societal functioning is becoming increasingly subordinate to the global market, leading to the economic system partially “disembedded” from society.<sup>②</sup>

### **1.1 Social Division and its Causes**

It is undeniable that within the global capitalist order, some benefit, while others suffer.<sup>③</sup> Despite the attempts by liberal advocates to blame other factors for the manipulation and distortion of international trade, many countries have experienced severe wealth disparities due to their involvement in the global economy. Some have even verged on bankruptcy or fallen into “failed states”.<sup>④</sup> Data tracking reveals that the share of global

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<sup>①</sup> John Gray, *False Dawn: The Delusions of Global Capitalism*, London: Granta Publications, 2009, p. 19.

<sup>②</sup> Brigid Schulte, *Overwhelmed: Work, Love, and Play When No One Has the Time*, New York: Macmillan, 2014, p.32.

<sup>③</sup> Bruce Edward Moon, *Dilemmas of International Trade*, Westview Press, 1996, p. 91.

<sup>④</sup> There were only about forty truly stable and sustainable countries in the world according to the Fragile States Index 2014. See The Fund for Peace, “Fragile States Index 2014”, <https://fundforpeace.org/2014/06/24/failed-states-index-2014-the-book/#:~:text=The%20Fragile%20States%20Index%2C%20produced,towards%20the%20brink%20of%20>

income held by the poorest 40% of the world's population increased by less than 1% from 1990 to 2007.<sup>①</sup> From the 1990s into the early 21st century, per capita GNP in 100 developing countries actually fell below levels seen during the 1960s and 1980s.<sup>②</sup> These seemingly compelling statistics are often used by critics of economic globalization to support their arguments. After delving deeper into the causes of global income inequality, however, economists have found that the free trade order is not the originator of global wealth inequality.

Economists Francois Bourguignon and Christian Morrison collected income data spanning from 1820 to 1992 and analyzed global income distribution at the national and international levels. Their findings are counterintuitive. Firstly, at the global level, personal income disparities consistently widened since 1820, reached their peak in 1980, and then began to decline. Secondly, within countries, income disparities reached their peak in 1910, decreased until reaching a low point in 1960, and then began to rise, albeit at a slower pace.<sup>③</sup> Based on these findings, it is evident that between 1980 and 1992, international trade contributed to a more balanced global economy, while domestic distribution issues were the real factor driving social polarization.<sup>④</sup> Bourguignon and Morrison's findings highlight the critical role of the state in income distribution : whether individuals benefit from economic globalization depends on how a country allocates the income it generates from international economic activities. These distribution mechanisms have remained unchanged despite the rapid expansion of international trade after the end of the Cold War<sup>⑤</sup>. Monitoring data on global inequality reveals that the share of total national income held by the top 1% of earners in the United States rose from

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failure.

<sup>①</sup> Isabel Ortiz and Matthew Cummins, "Global Inequality: Beyond the Bottom Billion", The United Nations Children's Fund, April 2011, [https://www.unicef.org/socialpolicy/files/Global\\_Inequality\\_REVISIED\\_-\\_5\\_July.pdf](https://www.unicef.org/socialpolicy/files/Global_Inequality_REVISIED_-_5_July.pdf).

<sup>②</sup> UNDP, *Human Development Report 2003*, 2003; UNICEF, *Annual Report*, 2005; World Bank, *World Development Indicators*, 2005.

<sup>③</sup> Francois Bourguignon and Christian Morrison, "Inequality among World Citizens", *American Economic Review*, Vol. 92, No. 4, September 2002, pp. 727-744; Martin Wolf, *Why Globalization Works*, pp. 138-172.

<sup>④</sup> For changes in global wealth and economic strength, see also National Intelligence Council, "Global Trends 2025: A Transformed World", November 2008, [https://www.dni.gov/files/documents/Newsroom/Reports%20and%20Pubs/2025\\_Global\\_Trends\\_Final\\_Report.pdf](https://www.dni.gov/files/documents/Newsroom/Reports%20and%20Pubs/2025_Global_Trends_Final_Report.pdf).

<sup>⑤</sup> Xavier Sala-i-Martin, "The World Distribution of Income: Falling Poverty and... Convergence, Period", *The Quarterly Journal of Economics*, Vol. 121, No. 2, May 2006, pp. 351-397.

10.7% in 1980 to 20.2% in 2014, while the bottom 50% accounted for only 12.6%. Similar divide has also been observed in other major developed nations like France, Germany, and the United Kingdom.<sup>①</sup>

Rapid social stratification is not limited to Western nations. Japan, once priding itself on its “society of 100 million middle-class citizens”,<sup>②</sup> is now embracing a red classic of the past century. Kobayashi Takiji’s acclaimed novel *The Crab Cannery Ship*, written by the leftist author in the early 20th century, has once again captivated readers in Japan, 80 years after its initial release. In 2008 alone, over 500,000 copies were sold, briefly topping bestseller lists.<sup>③</sup> Analysts attribute this sudden surge to its deep resonance with the “new poor” – those in society’s lower strata.<sup>④</sup> Moreover, the resurgence of *The Crab Cannery Ship* sheds light on the societal factors driving the recent surge in membership of the Japanese Communist Party (JCP). In the 2015 local elections, the JCP rose to become the largest opposition party in local assemblies.<sup>⑤</sup>

As an active participant in the global market, Chinese society also grapples with challenges related to income and wealth distribution. China’s Gini coefficient for per capita disposable income “peaked at 0.491 in 2008 but has shown a fluctuating downward trend since 2009, decreasing to 0.468 in 2020”, according to the Director General of China’s National Bureau of Statistics at a press conference for the release of the white paper *China’s Epic Journey from Poverty to Prosperity* in September 2021.<sup>⑥</sup> In the face of the challenge of wealth and income distribution, the Report to the 20th National Congress of the Communist Party of China emphasizes that: “Chinese modernization is the modernization of a huge population, the modernization of common

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<sup>①</sup> Lucas Chancel, et al., “World Inequality Report 2018”, World Inequality Lab, 2018, <http://wir2018.wid.world/files/download/wir2018-summary-english.pdf>.

<sup>②</sup> In the 1970s and 1980s, about 90 percent of the Japanese people consider themselves middle class due to a lifetime employment system.

<sup>③</sup> Danielle Demetriou, “Japan’s Young Turn to Communist Party as They Decide Capitalism Has Let Them Down”, *The Telegraph*, October 17, 2008, <https://www.telegraph.co.uk/news/worldnews/asia/japan/3218944/Japans-young-turn-to-Communist-Party-as-they-decide-capitalism-has-let-them-down.html>.

<sup>④</sup> Heather Bowen-Struyk, “Why a Boom in Proletarian Literature in Japan? The Kobayashi Takiji Memorial and The Factory Ship”, *The Asia-Pacific Journal*, Vol. 7, Issue 26, 2009, Article 1.

<sup>⑤</sup> “Japan’s Communist Party: Red revival”, *The Economist*, April 17, 2015, <https://www.economist.com/asia/2015/04/17/red-revival>.

<sup>⑥</sup> Responses at Press Conference on the White Paper *China’s Epic Journey from Poverty to Prosperity*, National Bureau of Statistics, September 28, 2021, [https://www.stats.gov.cn/xgkj/jd/zcjd/202109/t20210930\\_1822661.html](https://www.stats.gov.cn/xgkj/jd/zcjd/202109/t20210930_1822661.html).



prosperity for all, the modernization of material and cultural-ethical advancement, the modernization of harmony between humanity and nature, and the modernization of peaceful development.” Chinese President Xi Jinping elaborated that common prosperity “is not the prosperity of a select few people or a select few regions, but rather the prosperity of all the people” following a meeting of China’s Central Committee for Financial and Economic Affairs centered on common prosperity in August 2021.

## **1.2 From “Peace through Trade” to “Trade Conflicts”**

After World War II, the architects and custodians of the international order were convinced that a free trade network would not only drive economic growth but also promote peace. Even before World War I, Norman Angell argued in his book *The Great Illusion* that the industrial nations of the late 19th century had undergone significant changes, becoming increasingly interdependent in trade and finance. In these circumstances, military conquest could not generate wealth. War would dismantle this interdependent network, leading to the collapse of the entire economic system. Germany could gain nothing from a war against Britain; instead, the conflict would result only in disaster for both sides.<sup>①</sup>

Among European countries before World War I, Germany and Britain were each other’s largest trading partners, with Britain heavily dependent on dye imports from Germany. This reliance led to a severe shortage of khaki dye in the early stages of the war, even hindering the production of military uniforms. Yet, war between Britain and Germany still occurred. Although the two world wars devastated the 19th-century global financial and trade networks, the idea of promoting peace through trade became a foundational principle of the post-World War II international order. The creation of the European Coal and Steel Community (ECSC) in the 1950s is a clear example of this principle in action. In recent years, however, trade sanctions, protectionism, and the weaponization of economic interdependence have kept rising. Developed nations have increasingly come to view their reliance on Chinese manufacturing as a “security threat”, while Germany’s energy dependence on Russia is now regarded as a “historic mistake”. The idea of “peace through trade” is gradually being replaced by “trade conflicts”.

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<sup>①</sup> Norman Angell, *The Great Illusion: A Study of The Relation of Military Power in Nations to their Economic and Social Advantage*, London: William Heinemann, 1910.

Confronted with changing views, mainstream academia has been urged to thoroughly reevaluate the connection between trade and peace. In 2022, prominent economist Paul Krugman wrote an article for *The New York Times*, revisiting the issue of whether the idea of “peace through trade” has come to an end. Krugman notes that peace through trade is a doctrine that has lost a lot of credibility lately. However, he asserts that the global market did not reach its current state due to inevitable economic laws alone. Instead, it was supported by policies crafted by political elites who, after careful strategic assessment, determined that a certain level of free trade was advantageous for both political stability and security.<sup>①</sup> Lawrence Henry Summers, former US Secretary of the Treasury and Professor at Harvard University, offers a retrospective view of the globalization process that perfectly reflects the “strategic considerations” of Western leaders as described by Krugman, as well as the shifts occurring in the heartland of developed economies:

*The global economic challenge we face today is profoundly different than it was a generation ago. Then, just after the Cold War and the Latin American debt crisis, with Asia’s China-led renaissance in its early stages, the challenge was to enable new markets to emerge with the potential for profound benefits to their citizens and the global economy. Trade agreements that encouraged the adoption of market institutions in developing economies and enhanced those countries’ access to the industrial economies were crucial to creating a truly global economy. Today, we have such an economy, and it has supported the greatest economic progress in the history of the world in emerging markets and is working spectacularly well for capital and a cosmopolitan elite that moves easily around the world. But being pressed down everywhere are middle classes who lack the wherewithal to take advantage of new global markets and do not want to compete with low-cost foreign labor. Our challenge now is less to increase globalization than to make the globalization we have work for our citizens.*<sup>②</sup>

As European countries see their advantages from the existing trade structure and rules gradually decline, the perceived “benevolence” of free trade is increasingly being

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<sup>①</sup> Paul Krugman, “Is This the End of Peace Through Trade?”, *The New York Times* (Chinese Edition), December 14, 2022, <https://cn.nytimes.com/opinion/20221214/trade-world-peace/>.

<sup>②</sup> Lawrence Henry Summers, “Rescuing the free-trade deals”, *The Washington Post*, June 14, 2015, [https://www.washingtonpost.com/opinions/rescuing-the-free-trade-deals/2015/06/14/f10d82c2-1119-11e5-9726-49d6fa26a8c6\\_story.html](https://www.washingtonpost.com/opinions/rescuing-the-free-trade-deals/2015/06/14/f10d82c2-1119-11e5-9726-49d6fa26a8c6_story.html).

overshadowed by the idea of “trade conflicts”. Numerous cases and data from various industries indicate a troubling situation for the EU in the global economic competition since the start of the 21st century. The EU’s share of the global market is steadily declining in traditional manufacturing. It is also lagging behind its competitors in North America and East Asia in the digital economy, whether it is hardware, software, or Internet applications. Despite the EU and its member states remaining alert and taking various measures to counteract these trends, the prospects appear bleak. Several emerging industries, such as solar energy, wind energy, and satellite navigation systems, once heralded as sources of hope and heavily backed with political and technical investments, have ultimately ended up benefiting others rather than the EU itself. The advent of disruptive technologies and significant changes in industrial development trajectories could further accelerate the decline of the EU’s share in the global industrial structure and its weakened position. The post-financial crisis era has witnessed the rise of tech giants utilizing digital technologies to deeply transform social life, such as Amazon, Google, Tesla, Uber, Facebook, and Apple in the United States and their Chinese counterparts, such as Tencent, Baidu, Alibaba, JD.com, and iFlytek. The EU boasts almost no comparable companies to compete with them.<sup>①</sup>

China-EU relations face increasingly significant challenges along with the growing overlap and competition between East Asia’s manufacturing supply chain and the EU’s industrial structure. As the EU struggles in 21st-century industrial competition, it would hardly support China’s strong defense of the current trajectory of global market development though the EU has yet to fully embrace a “de-globalization” strategy. Europe is increasingly leaning toward trade and investment protectionism, a trend typical of de-industrializing nations. As a result, China finds it harder to manage and minimize competition and friction with Europe during its industrial upgrading.<sup>②</sup>

## **2. Political Ideologies: The Tumultuous Clash of Diverse Ideas**

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<sup>①</sup> Di Dongsheng, Ning Nanshan and Zhao Yunlong, “A Political-Economic Analysis on EU’s Industrial Stagnation from Structural Perspective”, *World Economics and Politics*, No. 8, 2018, pp. 128-160.

<sup>②</sup> Di Dongsheng, Ning Nanshan, Zhao Yunlong, “A Political-Economic Analysis on EU’s Industrial Stagnation from Structural Perspective”, *World Economics and Politics*, No. 8, 2018, pp. 128-160.

## 2.1 The Rise of Populism: The Rebellion of the Grassroots

The political landscape in Europe has grown increasingly tense since the European Parliament elections in June 2024. Far-right parties made a significant and undeniable gain in influence though they did not win a majority in the election, which involved 370 million voters across the continent. Under pressure from both the National Rally and far-left parties, French President Macron was compelled to dissolve the National Assembly, moving up the election originally set for 2027. Though the left-wing coalition led by Jean-Luc Mélenchon successfully blocked the National Rally from gaining parliamentary control in the second round, the National Rally secured 33% of the vote in the first round, marking a historic win for French populist politics.

Existing research findings clearly showed that populism, at least in part, stems from the inequality and societal divisions driven by globalization. The growth of the global market brings fierce competition between nations. British economist Dudley Seers insightfully noted long ago that in today's world, regional interests are often at odds. Solutions beneficial to one country might have adverse effects on another. Moreover, the global capitalist order fails to ensure equitable distribution within nations. Certain groups disproportionately benefit, while others suffer absolute losses.<sup>①</sup> For example, during the drought of 2010, panic buying by major food-importing countries helped bring bread riots and revolution to the Middle East.<sup>②</sup> In the operation of globalization, the vast spillover effects of a nation's political and economic actions have become increasingly unpredictable and difficult to manage. This pervasive "loss of control" has heightened the demand for certainty among grassroots communities, a desire that extends far beyond a select few countries or regions.

Populism is not a byproduct of democracy. In fact, populist movements had existed long before democracy took hold in the West and have surfaced in waves over time.<sup>③</sup> Instead, populism arises from the failure to effectively translate public opinion into political and social policies. Karl Marx noted that a social group often turns to supporting an

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<sup>①</sup> This is known as the Stolper-Samuelson theorem, after Wolfgang Stolper and Paul A. Samuelson, "Protection and Real Wages", *Review of Economic Studies*, Vol. 9, Issue 1, 1941, pp. 58-73.

<sup>②</sup> Timothy Snyder, "The Next Genocide", *The New York Times*, September 12, 2015, <https://www.nytimes.com/2015/09/13/opinion/sunday/the-next-genocide.html>.

<sup>③</sup> Barry Eichengreen, *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*, Oxford: Oxford University Press, 2018.

authoritarian leader when it is unable to independently express its own interests – a phenomenon now commonly associated with populism. As a result, open debates, fair elections, and wide representation can help prevent the situation Marx described. When citizens can effectively voice their interests and see them reflected in government policy, the widespread rise of populism is less likely to occur.

Elites are often aware of the erosion of certain groups' interests, but as beneficiaries of globalization, they are typically hesitant to implement meaningful changes to address this issue. As early as 2004, Samuel Huntington observed the rise of a “global superclass”, which numbered around 20 million at the start of the century and had doubled by 2010. These transnational elites feel little need for national loyalty, seeing borders as obstacles that are thankfully fading. Nations are only seen as useful only insofar as they facilitate global operations.<sup>①</sup> Despite their detachment from the nation-state framework, this “superclass” often holds significant sway over national policymaking. Many political candidates in developed democracies, either directly or indirectly, come from this group and govern according to their own political, economic, and moral preferences. This inevitably undermines the functioning of representative democracy. In other words, in Western democracies, it's the international market that essentially casts the vote, and its influence often outweighs that of national parliaments.<sup>②</sup> For many populists, European integration has always seemed like an elitist endeavor, created and executed by technocrats with limited input from national parliaments and the public. As a result, it tends to reflect the interests of the global elite rather than those of the general populace. In stark contrast to the preferences of the elite, the stagnant lower and middle classes are increasingly becoming the “sinking strata”, facing the dual pressures of global capital and labor markets. Cheap products from emerging markets are pushing many domestic manufacturing businesses toward bankruptcy or relocation to low-cost countries. Meanwhile, a large influx of immigrants is competing for the few remaining job opportunities by accepting lower wages. For a long time, many young men in developed countries, especially those with lower skill levels and education, have voluntarily

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<sup>①</sup> Samuel P. Huntington, “Dead Souls: The Denationalization of the American Elite”, *The National Interest*, Spring 2004, pp. 17-18.

<sup>②</sup> César Rendueles. De la regresión global a los contramovimientos postcapitalistas, p. 235.

withdrawn from the labor market, even though there still exist partial job opportunities.<sup>①</sup> In reality, the shifting distribution of income is influenced not just by technology, trade, and immigration, but also by institutional factors. The forces behind institutional change are complex, involving historical experiences and psychological inertia, for example. Populism serves as a harsh consequence imposed by mass politics on governments that fail to address societal divisions. Feeling “abandoned” by the elite and losing political patience due to the long-term closure of social mobility, the lower and middle classes are turning to more simplistic and forceful forms of protest. Early problems stemming from government dysfunction are often blamed on individual politicians. However, prolonged governmental ineffectiveness would foster skepticism among the public toward both government and politics. When politicians and elite professionals are depicted as being “corrupt, decadent, and incompetent”, it creates a fertile ground for populism. Social movements begin to rally around the populace or marginalized political forces, making resistance to the government the new form of “political correctness”. This, in turn, triggers a “domino effect” that leads to a significant decline in public trust in government. This risk cannot be ignored for both China and Europe. Both sides must actively address the social upheaval caused by rapid changes while providing adequate support for those who have lost their social standing, means of production, and jobs during the economic and societal transition. If they fail to do so, populist movements may easily direct anger toward scapegoats or pursue short-term fixes through support for extremism. This could lead to leaders facing ongoing and misguided political pressure, making it difficult for them to implement and maintain decisions that promote “mutual benefit” between China and the EU.

## **2.2 The Resurgence of Nationalism: Revisiting Sovereignty and Boundaries**

For a long time, nationalist thought has held a relatively marginal place in the study of international relations. Efforts toward European integration (along with similar efforts in other regions) and the globalization promoted by the United States initially challenged the international system centered around nation-states from an economic and trade perspective, resulting in a decline in national autonomy and a gradual erosion of national

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<sup>①</sup> Valerie K. Oppenheimer, “Women’s Rising Employment and the Future of the Family in Industrial Societies”, *Population and Development Review*, No. 20, 1994, pp. 293-342.

boundaries. However, this situation has changed significantly in recent years. The theme of the International Political Science Association's (IPSA) 2020 annual conference, "*New Nationalisms in an Open World*", highlighted an intriguing observation: the rampant resurgence of nationalism today appears paradoxical, as this happens in an era marked by openness, globalization, and interdependence.

Globalism and nationalism typically have an inverse relationship, but that is not the case today. Nationalism is emerging simultaneously in both impoverished and affluent nations, with little noticeable difference in intensity. For a long time after the Cold War, research on nationalism primarily focused on developing countries, often excluding Europe and North America. However, this trend is changing.

The process of European integration has encountered a strong resurgence of nationalism in the past decade. As early as the European Parliament elections in June 2019, nationalist and populist parties in Britain, France, Italy, and Spain effectively eroded the voter bases of center-left and center-right parties, establishing themselves as the largest parties in their countries.<sup>①</sup> Gradual functional convergence has created a strong sense of interdependence among today's EU member states since the launch of the European integration in the 1950s. The expansion of the European single market, the introduction of the euro, and the establishment of the Schengen Area have gradually diminished the importance and role of sovereign national borders at the institutional level. However, public opinion within EU member states has experienced complex and nuanced changes in recent years. Emerging political forces are placing much greater emphasis on national interests and "national identity" over European integration. More and more people are recognizing a fundamental weakness within the EU that is rooted in the theoretical logic behind integration. This weakness cannot be entirely attributed to external factors like the refugee crisis or terrorist attacks. In other words, the EU has not developed in the manner anticipated by many scholars, whether federalists or functionalists. Contrary to their predictions, deeper integration has not resulted in a significant transfer of functions

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<sup>①</sup> The newly formed Brexit Party in the United Kingdom garnered 30.79% of the vote; the National Rally or Rassemblement National (formerly known as the National Front until June 2018) in France secured 23.34%; the Lega Nord and Five Star Movement in Italy attained 34.26% and 17.06% respectively; the conservative nationalist Law and Justice party (PiS) in Poland achieved a landslide victory with 45.38% of the vote. See "2019 European Election Results", *European Parliament*, July 2, 2019, <https://www.europarl.europa.eu/election-results-2019/en>.

to the EU, nor has it diminished the relevance of nation-states to the point of insignificance or complete obsolescence.

As for the assumption of international responsibility, the World Economic Forum's survey on Globalization in January 2019 asked respondents, "Generally speaking, do you think your country has a responsibility to help other countries in the world?" Surprisingly, the four countries with the least affirmative responses were Germany, the United States, the United Kingdom, and France. Germany had the lowest agreeing rate, with only 54% of respondents saying yes.<sup>①</sup> This is striking, considering Germany has historically been one of the most proactive nations in providing international aid and taking on global obligations since the post-Cold War era. Public opinion in Germany even risks falling below a simple majority on this question. The same survey asked another question: "Would you say that new immigrants are mostly good or mostly bad for your country?" On a global scale, 57% of respondents see new immigrants as a positive influence, while only 46% of those in Western European nations agreed. This puts them just above Eastern Europe and Central Asia, where 40% of the respondents agreed that new immigrants are mostly good for their countries.<sup>②</sup>

The "hidden concern" over nationalism has always been there throughout the ongoing process of European integration, but it has often been overlooked by external observers. Poll data from 2009 indicated that over half of the population in countries like Bulgaria, Hungary, and Poland felt that parts of neighboring territories rightfully belonged to their countries, a notable rise since 1991. Even in the United Kingdom and Italy, a significant portion of the population shared these sentiments, with numbers increasing compared to 1991.<sup>③</sup> Even established industrialized countries are not immune to the threat of separatism. In the latter half of 2014, Scotland narrowly avoided ending its 300-year political union with England, leading to a serious political crisis. Directly influenced by the Scottish referendum, separatist sentiments have surged in regions like Catalonia, the Basque Country, Bavaria, and even Venice.

Often linked to violent conflict, localized warfare, humanitarian crises, and even

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<sup>①</sup> World Economic Forum, "Globalization 4.0: The Human Experience", January 2019, [https://www3.weforum.org/docs/WEF\\_globalization4\\_Jan18.pdf](https://www3.weforum.org/docs/WEF_globalization4_Jan18.pdf).

<sup>②</sup> Ibid.

<sup>③</sup> Pew Global Attitude Project, "Two Decades After the Wall's Fall: End of Communism Cheered but Now with More Reservation", November 2, 2009, <http://pewglobal.org/docs/?DocID=25>, pp. 55-57.



terrorism, nationalism has gradually taken on a negative connotation in 20th-century political discourse. It is frequently seen as narrow-minded, conservative, extreme, and regressive, raising intense debate about the legitimacy and morality of its political practices. Nationalism is often labeled as “hyper-nationalism” or “extreme conservative nationalism”. No one would refer to it as “extreme liberal nationalism”, “peaceful nationalism”, or “tolerant nationalism”.<sup>①</sup> In the prevailing liberal political climate of the post-war era, nationalism has been viewed as a “rogue” among political ideologies in Europe, frequently evoking associations with colonialism, racism, chauvinism, fascism, and other “mistakes of history”.<sup>②</sup> For the Chinese, however, the concepts of “nation” and “state” carry highly sacred significance, rooted in both historical brilliance and contemporary motivations.

Much like the ancient Greek tragedies, the national calamities faced by modern China have highlighted a profound heroism that starkly contrasts with the selfishness, ignorance, and narrow-mindedness bred by the decadent and corrupt Confucian civilization in its later years. In times when collective survival was seriously threatened, the fate of the nation and the well-being of the people became a shared concern for everyone, from the elite to ordinary citizens. The slogan “Defend our homes and country” was not just a call to military action. It also captured the spirit of the times and the prevailing values of society. This spirit was anything but abstract. Instead, it influenced every aspect of social life. This period of historical hardship made national survival and prosperity the central themes shaping Chinese history since the 20th century. The saying “when the nest is overturned, no egg is left intact” has reflected the shared political consensus among generations of Chinese elites and citizens from the late Qing dynasty onwards.

China and Europe have significantly different attitudes toward nationalism due to stark differences in historical experiences and ideological legacies. The traditional European powers’ rejection of nationalism and their wariness of China’s specific nationalist

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<sup>①</sup> For studies on the stigmatization of nationalism, see Robert H. Wiebe, “Humanizing Nationalism”, *World Policy Journal*, Winter 1996/1997, pp. 81-88.

<sup>②</sup> Minxin Pei, “The Paradoxes of American Nationalism”, *Foreign Policy*, November 2, 2009, <https://foreignpolicy.com/2009/11/02/the-paradoxes-of-american-nationalism/>; Tim Stanley, “Scottish Nationalism Has Prospered Because British Identity Has Withered”, *The Telegraph*, September 16, 2014, <http://blogs.telegraph.co.uk/news/timstanley/100286488/scottish-nationalism-has-prospered-because-british-identity-has-withered/>.

aspirations represent two sides of the same coin. It raises a critical question: does China's rise pose a threat to other countries? Simply measuring material power in terms of economic growth, technological innovation, and military spending, for example, doesn't provide a complete answer to this question. National capability is just one part of the "threat equation". National intent is equally important. How China chooses to use its national power ultimately determines the dynamics of war and peace. This depends on how China defines its national interests, views its relationship with the international community, evaluates the fairness of current global rules, and assesses its satisfaction with its own rise. These considerations lie squarely within the domain of nationalism. Material strength can indicate what China is capable of doing, but nationalism reveals what China really wants to do.

In December 2013, marking the centenary of the outbreak of World War I, *The Economist* published a commentary that drew unsettling parallels between the current global situation and that leading up to the war.<sup>①</sup> On the one hand, there are consistent official statements stressing the importance of peace and development; on the other hand, media and public discourse are filled with nationalistic rhetoric that is often antagonistic. The messages China sends to the world during its rise are highly complex and often contradictory, raising concerns within the international community, especially among the dominant powers and their allies, about the long-term goals of the great rejuvenation of the Chinese nation. NATO's efforts to expand its influence in the Asia-Pacific region, along with some European countries pursuing an "Indo-Pacific strategy", are notable expressions of this concern in policy terms.

In summary, the evolution of the global order has disrupted the traditional roles of states and diminished the local nature of politics. However, strong and effective local mechanisms for protection are essential to maintain societal functionality and human dignity amid the overwhelming force of global capital. The two orientations create significant contradictions regarding the role of states in the age of globalization. Whether it's China or European countries, all must navigate the conflicting pressures of international competition and societal protection, as well as the inherent tension between

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<sup>①</sup> "The First World War: Looking Back with Angst", *The Economist*, December 21, 2013, <https://www.economist.com/leaders/2013/12/21/look-back-with-angst>.

openness and sovereignty. No matter what policies are pursued, it's crucial to carefully consider their potential spillover effects.

### **2.3 The Predicament of Pluralism: Practical Challenges and Theoretical Exploration**

Two opposing forces have been observed in human political activity since the 20th century. On one side, the diversity of human society actively requires political expression; on the other, a liberal order based on universal humanity continues to evolve. Supporters of the former emphasize “group particulars” both morally and politically.<sup>①</sup> They argue that “goodness” is a relative concept, meaning there is no universally accepted idea of “being good” or “good life”, nor should such unity be pursued. Instead, the diverse languages, traditions, religions, political beliefs, and social customs within society are best represented by independent communities, each striving for their own development.<sup>②</sup> In contrast, universalists argue that a shared human foundation connects a diverse range of human groups. If the relativity of “goodness” were absolute, cross-cultural communication and understanding, as well as fair treatment among groups, would be impossible, contradicting the realities of human society.<sup>③</sup>

The dichotomy between particularism and universalism illustrates the “moral predicament” of the modern world. From Max Weber’s view of modern society, it is clear that the growing conflict between instrumental rationality and substantive values is a defining characteristic of modernity.<sup>④</sup> Although many aspects of human life have been influenced, even overturned, by instrumental rationality, the moral and spiritual dimensions of human existence lie beyond the scope of “rationalization”. The richness of means cannot provide guidance for the values of the ends, nor can it reflect the social significance carried by the goal. Instrumental rationality focuses on how to achieve a task rather than why it should be done. Modernity freed individuals from the sacred, the

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<sup>①</sup> Andrew Vincent, *Nationalism and Particularity*, Cambridge, UK: Cambridge University, 2002, pp. 3-4.

<sup>②</sup> A strong advocate of this viewpoint is Canadian scholar Robert H. Jackson. See Robert H. Jackson, *The Global Covenant: Human Conduct in a World of States*, Oxford: Oxford University Press, 2000.

<sup>③</sup> William S. Sax, “The Hall of Mirrors: Orientalism, Anthropology, and the Other”, *American Anthropologist*, Vol. 100, No. 2, 1998, p. 293.

<sup>④</sup> R. B. J. Walker, see Walker, *Inside/Outside: International Relations as Political Theory*, Cambridge: Cambridge University Press, 1993, p. 56.

religious, and the hierarchical oppression of the old world, yet it did not establish clear standards for making value judgments in this secularized world. As a result, discussions about values in modern society can be quite challenging. Serious scholars, whether consciously or unconsciously, often avoid definitive statements and instead choose a more compromise-driven approach. In his influential work *Political Liberalism*, John Rawls explicitly states that the liberalism he discusses is not a “comprehensive” doctrine and is not intended to be a complete theory that addresses issues of value, ethics, and knowledge.<sup>①</sup> Consequently, the definition and pursuit of “ultimate values” often fall to ambitious politicians, revolutionary thinkers, religious zealots, and romantic poets.

Western philosophers have tried to address the predicament of moral speculation in various ways. Kantian philosophy asserts the existence of universal morality and law. According to Kant, “goodness” is inherently “good” in any situation. Universal morality is achievable because every rational agent has an innate understanding of the basic principles of shared moral obligation, often referred to as the “categorical imperative”.<sup>②</sup> Weber opposed Kant’s idea of “cosmopolitanism”. In response to the core issue of moral impoverishment, he argued that we must retain our autonomy in evaluating ultimate values in the face of non-value instrumental rationality. This autonomy can be achieved either individually or collectively, particularly through states. In this sense, morality is no longer universal; it becomes a subject of free consideration by independent moral entities, whether individuals or groups, who may not share the same rationality or way of thinking. R. B. J. Walker provides a compelling summary of Weber’s examination of the moral issues of modernity:

The ethical irrationality of the world is turned into the struggle between value spheres, of which the state, that claimed monopoly on the legitimate exercise of power in a given territory, is the most powerful expression. In either case, autonomy can imply relativism.<sup>③</sup>

For a long time, pluralism has aimed to bridge the gap between particularism and universalism, as Isaiah Berlin pointed out, trying to reconcile different value goals often

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<sup>①</sup> John Rawls, *Political Liberalism*, New York: Columbia University Press, 1996, p. 5.

<sup>②</sup> Chris Brown, *Sovereignty, Rights and Justice: International Political Theory Today*, Cambridge, UK: Polity, 2002, p. 43.

<sup>③</sup> R. B. J. Walker, *Inside/Outside: International Relations as Political Theory*, Cambridge: Cambridge University Press, 1993, p. 57.

leads to conflict. For example, prioritizing freedom would diminish the importance placed on fairness. Each community may have its own preferences regarding values, but this doesn't mean that value goals are entirely subjective. Pluralism rejects the particularist view that "values" are solely justified by history, tradition, and custom. Just because a society may accept "male dominance over women" doesn't make gender discrimination valid.<sup>①</sup> Simply put, pluralism acknowledges liberalism's claim that value goals have a universal aspect, but it also recognizes the incompatibility of diverse value goals and hence denies the existence of a single, definitive value choice. The ethical stance of pluralism has been widely adopted by developed nations in the post-Cold War era, gradually forming the societal policy of "multiculturalism". Multiculturalism rejects a single standard for judging things as superior or inferior, aiming to give equal recognition to all members within increasingly diverse postmodern societies. However, for those who take the issue of "moral impoverishment" in modernity seriously, the consequences of pluralism can seem to be "nihilistic". Nihilism inevitably faces what Weber termed the "clash of the gods", which involves the conflict between various irreconcilable "ultimate values". Pluralism merely reduces the urgency and necessity of making value judgments, masking or postponing conflict, but it doesn't offer a reliable guide for identifying ultimate values. People are unable to determine whether one set of moral norms is superior or inferior to another. This viewpoint is echoed not only by leftist advocates of multiculturalism but also by right-wing liberal economists, who argue that all human behavior can be boiled down to the pursuit of basic individual "preferences".<sup>②</sup> As early as 2011, former British Prime Minister David Cameron reflected on the practical implications of multiculturalism: We have encouraged different cultures to live separate lives, apart from each other and apart from the mainstream. We've failed to provide a vision of society to which they feel they want to belong. We've even tolerated these segregated communities behaving in ways that run completely counter to our values... The result has been a series of double standards.<sup>③</sup> In short, multiculturalism has not

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<sup>①</sup> See Isaiah Berlin, *Four Essays on Liberty*, Oxford: Oxford University Press, 1969; Bernard Williams, *Moral Luck*, Cambridge: Cambridge University Press, 1981.

<sup>②</sup> Friedrich Hayek, *The Fatal Conceit: The Errors of Socialism* (Feng Keli, Hu Jinhua, et al., Trans.). Beijing: China Social Sciences Press, September 2000, p. 16.

<sup>③</sup> "David Cameron's Warning", *Wall Street Journal*, February 10, 2011, <https://www.wsj.com/articles/SB10001424052748704364004576132611168150744>.

resolved the “struggle between different value spheres” noted by Weber and Walker. Instead, it has often acted as a means to prevent or postpone this conflict.

Empirical research shows that globalization does not necessarily result in the homogenization of national institutions. The convergence of national institutions primarily arises from international consultations and negotiations, a process that is much more complex than the pressures of globalization alone.<sup>①</sup> By recognizing and respecting this fundamental reality, China and the EU can set clear, achievable goals for addressing value conflicts, steering clear of overly idealistic moral pronouncements. In 2019, Chinese President Xi Jinping shared China’s perspective on handling civilizational and value conflicts in his keynote address at the opening ceremony of the Conference on Dialogue of Asian Civilizations: “Civilizations only vary from each other, just as human beings are different only in terms of skin color and the language used. No civilization is superior over others. The thought that one’s own race and civilization are superior and the inclination to remold or replace other civilizations are just stupid. To act them out will only bring catastrophic consequences. If human civilizations are reduced to only one single color or one single model, the world would become a stereotype and too dull a place to live in. What we need is to respect each other as equals and say no to hubris and prejudice. We need to deepen understanding of the difference between one’s own civilization and others’, and work to promote interaction, dialogue and harmony among civilizations.”<sup>②</sup>

President Xi’s speech and the concept of a “community of shared future for mankind” seek to outline essential principles and approaches for addressing conflicts and tensions between these value spheres though they may not completely resolve the “struggle between different value spheres”. Europe is unlikely to completely give up its commitment to internal diversity, just as China will find it unacceptable to fully adopt “universal values” based on Western experiences. By embracing these fundamental principles and attitudes, however, China and the EU have the opportunity to address their existing differences in values, political systems, and cultural preferences with a focus on

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<sup>①</sup> See Suzanne Berger and Ronald Dore (eds.), *National Diversity and Global Capitalism*, Ithaca, New York: Cornell University Press, 1997.

<sup>②</sup> “Xi’s Speech at Opening of Conference on Dialogue of Asian Civilizations”, china.org.cn, May 16, 2019, [http://www.china.org.cn/chinese/2019-05/16/content\\_74790346.htm](http://www.china.org.cn/chinese/2019-05/16/content_74790346.htm).

equality and inclusiveness. At the same time, both China and the EU will continue to experience internal pressures for pluralism within their political units. They need to refine and enhance their respective value systems and seek new philosophical and ethical foundations to prevent escalating tensions that could lead to confrontation or even a Cold War due to the struggle between different value spheres.

### **3. Summary**

Both China and the EU face similar ideological challenges and structural changes within the same global political framework. However, their value systems and interests display significant differences despite alignment on many fronts. In recent years, both have dramatically shifted their preferences for world order. As a developing economy, China continues to uphold the basic values of the post-Cold War international system while prioritizing long-term social stability. In contrast, Europe grapples with political instability in major countries, moving away from liberal internationalism and reviving power politics and ideological confrontation. As China is catching up with the EU in terms of technological capabilities and levels of industrialization, their once complementary areas are diminishing, resulting in heightened friction from increased competition in similar, homogeneous industries. This shift is not attributable to any manipulation by either side, but rather a natural outcome of global technological advancements and market changes. No matter what strategies they adopt, China and the EU's pursuit of prosperity and peace, as well as the resolution of current tensions, fundamentally depend on fostering greater political and social unity within their own territories, a quality that many European political units currently lack. Both sides need to thoroughly understand the "process structure" of modern global politics or the key forces driving political change<sup>①</sup> to avoid clinging to obsolete ideas and frameworks with rigid conservatism.

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<sup>①</sup> Yang Guangbin, *World Political Theory*, Beijing: China Social Sciences Press, 2021, p. 68.





# **The EU's Multipolar Perception and China-EU Multilateral Cooperation**

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As a unique international actor, the EU has held a generally skeptical and resistant stance towards the idea of a multipolar world while embracing multilateralism as a core part of its identity. Nevertheless, changes in the global landscape have prompted the EU to reassess its approach to multipolarity, resulting in a gradual adjustment of its policy goals. The conclusion of the Cold War and the successful eastward enlargement once ignited a strategic ambition within the EU, fostering aspirations to shape multipolar trends through “model promotion” and rule-based restraints. However, the onset of the global financial crisis and rising international tensions have diminished the EU's global influence, instigating a growing “strategic anxiety” regarding the evolving multipolar landscape. The 2014 Crimean crisis marked a pivotal moment, compelling the EU to adopt a realist viewpoint on multipolarity and start a strategic reassessment of its strategy on multipolarity. Its objectives evolved from “normative multipolarity” to pursuing strategic autonomy.

Central to the EU's discourse on multipolarity are certain critical topics: possible disorder or instability resulting from multipolarity, multipolarity and transatlantic relations, multipolarity and multilateralism, and the EU's role in a multipolar world. These issues are crucial in shaping the EU's perspective on multipolarity and lie at the heart of the ongoing dialog between China and the EU concerning multipolarity and multilateralism. Although China and the EU, as two significant players on the global stage, hold differing perspectives on multipolarity, they share no fundamental conflict in their normative goals for a multipolar world. While turning to a geopolitical perspective in its quest for strategic autonomy amidst an increasingly multipolar landscape, the EU maintains multilateralism, advocates open global cooperation, opposes unilateralism, decoupling, and the rise of a new Cold War, and takes a stance on enhanced representation of developing countries in global governance. The EU's fundamental stance and China's advocacy for an equal and orderly multipolar world are not inherently incompatible. An UN-centered international

system and an international order based on international law and the principles of the UN Charter offer a foundation for dialog and cooperation between China and the EU.

## **1. The Evolution of the EU's Perception of Multipolarity**

The terms “multipolar” and “multipolarity” first emerged in the late 1960s and early 1970s in *The New York Times*, and they were closely associated with the foreign policy of Richard Nixon and Henry Kissinger. The policymakers believed the world remained militarily bipolar for the time being, but was quickly moving to multipolarity in economic and other fields. In practice, research on the concept only started after the Cold War, thus again marking a new situation in international relations.<sup>①</sup>

International relations theory lacks consensus on concepts like “pole”, “unipolarity”, “multipolarity”, and “bipolarity”. Some theorists contend that the idea of “poles” focuses on major powers in power polarity, while others adopt a “cluster” approach. It is worth noting that “cluster multipolarity” does not refer to the presence of more than two opposite blocs. Rather it seems that the clustering is much less intense and interaction and cross cuttings between different, though opposing, blocs are easier.<sup>②</sup> Therefore, cluster multipolarity reflects the relationships between major powers and the dynamics within and among various clusters. Influenced by social constructivism, the concept of “poles” has evolved beyond mere “material interests” to include social elements such as “perception” and “identity”.<sup>③</sup>

In contrast to the theoretical development of multipolarity, the EU and its member states have no unified standard and concept for understanding multipolarity. While neorealist power multipolarity remains the prevailing discourse, it has kept incorporating perspectives of clusters and non-state actors along with the changes in the international system. Social factors such as cognition, identity, and norms are also gaining more attention. Overall, the evolution of the EU's discourse on multipolarity has stayed tuned to the ongoing changes in the global landscape and order. Key events like the end of the Cold War, the Iraq War, the global financial crisis, the Crimea crisis, and the Ukraine

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<sup>①</sup> Goedele De Keersmaeker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 14.

<sup>②</sup> *Ibid.*, p. 19.

<sup>③</sup> See *Ibid.*, p. 23.

crisis have been crucial in shaping the EU's discourse on multipolarity, leading to significant changes in its stance. From initially recognizing the trend of multipolarity to accepting its reality, from trying to reject and prevent it to seeking to shape and influence it, and ultimately strengthening its own role as a pole in a multipolar order, the EU's journey illustrates changes in its international standing and world view and an evolving process of its foreign strategy.

### **1.1 The EU's Strategic Foresight on Multipolarity in the Post-Cold War Era**

After the Cold War, the question of whether the world became unipolar or multipolar has occupied a central place in the neorealist debate.<sup>①</sup> Multipolarity did not become a central theme in the EU's discourse because of its role as a unique actor. France stood out as the earliest and most prominent EU member state that embraced the concept of multipolarity. As the 21st century unfolded, multipolarity gradually entered the EU's official vocabulary. The outbreak of the Iraq War in 2003 did not directly invoke multipolarity in the EU's security strategy document, but the mentioning of establishing strategic partnerships with regional powers implicitly acknowledged the reality of multipolarity.<sup>②</sup> Only after the global financial crisis did the EU start to assert itself as a key "pole" and declare its intention to "shape" the emerging multipolar order. At this point, the EU showed no clear rejection of multipolarity.

Discussions about multipolarity in the French media gained traction in the mid-1990s and peaked when France and the US had significant disagreements over the Iraq War in 2003. During the period, both political academics and policy-makers embraced the idea of multipolarity, and a similar tendency emerged in the public speeches of French political leaders.<sup>③</sup> This suggests France's view of a multipolar world was not merely a fringe perspective. President Jacques Chirac was among the first European leaders to openly advocate for multipolarity, while his Foreign Minister, Hubert Védrine, explicitly

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<sup>①</sup> Goedele De Keersmaeker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 111.

<sup>②</sup> Álvaro de Vasconcelos, "An Open Europe in a Multipolar World: Lessons from the Portuguese Experience", September 7, 2007, <https://institutdelors.eu/wp-content/uploads/2018/01/etud60-adevasconcelos-presidportugal-en.pdf>.

<sup>③</sup> Goedele De Keersmaeker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 161.

asserted that the world was on the way to multipolarity.<sup>①</sup> The first joint declaration between France and China in 1997 asserted that the bipolar world had gone and that the world was moving toward a multipolar system, demanding greater balance in politics, economy, culture, languages, technology, and inter-power relations and reflecting France's perceptions and aspirations for a multipolar world.

The multipolarity debate championed by France soon appeared at the EU level. In 2000, the EU and India declared themselves important partners in the "shaping of the emerging multipolar world", and in 2001, they referred to each other as "global actors in the multipolar world".<sup>②</sup> In 2002, Pascal Lamy, the then European Commissioner for Trade from France, made multipolarity a key goal and principle of the EU's foreign trade policy. His successor, Peter Mandelson, also referenced the concept, asserting that the EU was a "key part of the multipolar world". Multipolarity did not appear in joint declarations between China and the EU due to the EU's opposition. The EU's 2003 policy paper on China included a relevant statement: "China's geopolitical vision of a multipolar world, and the Chinese perception of the EU as a partner of growing importance, also provide a favourable context for increased EU visibility".<sup>③</sup> At this moment, the EU adopted an open stance toward multipolarity and aimed to shape considering its own position.

The outbreak of the Iraq War in 2003 intensified existing divisions within the EU, sparking internal debates on multipolarity and exposing the differing positions and proposals of France, Germany, and the UK. President Chirac openly advocated for a more multipolar world in his opposition to the war. In a November 2004 speech at the International Institute for Strategic Studies in the UK, Chirac stated that "it is by recognizing the new reality of a multi-polar and interdependent world that we will succeed in building a sounder and fairer international order".<sup>④</sup> *The New York Times* reported on France and Germany's views on multipolarity, describing it as a foreign policy credo for France. Though German Foreign Minister Joschka Fischer expressed a

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<sup>①</sup> From Goedele De Keersmaecker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 161.

<sup>②</sup> Refer to the declarations of the EU-India Summits of 2000 and 2001.

<sup>③</sup> European Commission, "A Maturing Partnership - Shared Interests and Challenges in EU-China Relations", September 10, 2003, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2003:0533:FIN:EN:PDF>.

<sup>④</sup> "Chirac Calls for Multi-Polar World", *Deutsche Welle*, November 19, 2004. <https://www.dw.com/en/chirac-calls-for-multi-polar-world/a-1401628>.

desire not to compete with the US and indirectly criticized Chirac's multipolar stance, the German Chancellery, increasingly gaining diplomatic influence, "never deliberately distanced itself from multipolarity".<sup>①</sup> Chirac's vision of multipolarity faced pushback from then-UK Prime Minister Tony Blair. When addressing the divide between France and the US and Chirac's vision of multipolarity, Blair said, "I don't want Europe setting itself up in opposition to America ... I think it will be dangerous and destabilising. France might have a vision of a multipolar world with different centres of power", he said, but "I believe that they will very quickly develop into rival centres of power."<sup>②</sup>

## **1.2 The EU's Strategic Anxiety over Multipolarity in the Aftermath of the Global Financial Crisis**

Discussions about multipolarity within the EU grew significantly after the onset of the global financial crisis in 2008. Unlike its previous approach of accepting and shaping multipolarity, the EU started to express concerns about its waning influence in a multipolar landscape and the risk of a breakdown in the international order.

As the source of the global financial crisis, the West saw a rise in debates over the possibility of multipolarity replacing the US' unipolarity. France continued to advocate foreign policy goals that supported multipolarity. The then-French Foreign Minister Laurent Fabius consistently noted France's ambition for a well-organized multipolar world to achieve global stability.<sup>③</sup> Although there was no consensus in France about the future direction of the international order, whether it would be depolarized, unipolar, or multipolar, the idea that the world was experiencing a process of multipolarization gained significant traction. In contrast to France's enthusiasm for multipolarity, the German government and its leadership took a more cautious stance, refraining from mentioning multipolarity. The German government's foreign policy review report in 2014 discussed the implications of global power shifts, especially the impact of the rise of emerging

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<sup>①</sup> John Vinocur, "The World: Between Two Continents; Schröder Tries to Juggle France and America", *The New York Times*, November 16, 2003, <https://www.nytimes.com/2003/11/16/weekinreview/the-world-between-two-continents-schroder-tries-to-juggle-france-and-america.html>.

<sup>②</sup> Sarah Hal, "Blair: Chirac's world view 'dangerous'", *The Guardian*, April 28, 2003, <https://www.theguardian.com/politics/2003/apr/28/uk.world>.

<sup>③</sup> Goedele De Keersmaecker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, pp. 163-164.

powers on the international order, without referring to multipolarity.<sup>①</sup>

Discussions about multipolarity became increasingly common within the EU. The EU gradually came to accept the reality of multipolarity while expressing strategic concerns about its uncertain future. Catherine Ashton, the EU's High Representative for Foreign Affairs and Security Policy, acknowledged that the world was quickly becoming multipolar. She noted that power was shifting from governments to markets, media and NGOs, besides shifting from the old "West" to both East and South. She differentiated "multipolarity" from "multilateralism", clearly favoring the latter. Ashton argued that multilateralism, rather than multipolarity, was essential for addressing the major challenges of our time.<sup>②</sup> Subsequently, José Manuel Durão Barroso, then-President of the European Commission, frequently mentioned multipolarity. He acknowledged the first decade of the 21st century had witnessed the gradual emergence of a multipolar world. A system composed of multiple global and regional powers, by a number of relevant institutions and organizations, and by powerful non-state actors. Barroso also voiced concerns about this multipolar world, describing it as more unstable and unpredictable. He compared the multipolar order to the historical concert of powers in Europe and even suggested the necessity of avoiding a multipolar model at the global level.<sup>③</sup> In addition to the frequent mentions of multipolarity within Brussels' diplomatic policy circles, the European Commission's Directorate-General for Research funded a major research project entitled "Europe Facing a Multi-Polar World" in 2009. That same year, the Directorate-General for External Relations and the Directorate-General for Research and Innovation jointly hosted high-level conferences entitled "The EU and the US in a changing multi-polar system: Transatlantic convergences and divergences".<sup>④</sup>

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<sup>①</sup> Auswärtiges Amt: "Review 2014 – Außenpolitik Weiterdenken. Crisis – Order – Europe", February 26, 2015, p. 7, <https://www.auswaertiges-amt.de/blob/692042/cef1f6308ebdb0d2d7c62725089c4198/review2014-data.pdf>.

<sup>②</sup> European Commission, "Catherine Ashton EU High Representative for Foreign Affairs and Security Policy and Vice President of the European Commission EU-India Relations Post-Lisbon: Cooperation in a Changing World India International Centre New Delhi", June 23, 2010, [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_10\\_336](https://ec.europa.eu/commission/presscorner/detail/en/speech_10_336).

<sup>③</sup> José Manuel Durão Barroso, "The European Union and Multilateral Global Governance", June 18, 2010, [https://ec.europa.eu/commission/presscorner/api/files/document/print/es/speech\\_10\\_322/SPEECH\\_10\\_322\\_EN.pdf](https://ec.europa.eu/commission/presscorner/api/files/document/print/es/speech_10_322/SPEECH_10_322_EN.pdf).

<sup>④</sup> From Richard Higgott, "Multi-Polarity and Trans-Atlantic Relations: Normative Aspirations and Practical Limits of EU Foreign Policy", GARNET Working Paper No. 76/10, April 2010, <https://warwick.ac.uk/fac/soc/pais/research/csgr/garnet/workingpapers/7610.pdf>.

While raising concerns about multipolarity, European academia has held a relatively positive perspective. Scholars recognize the emergence of a multipolar world, with a notable assertion of “interdependent multipolarity”. This perspective suggests that the potential for multipolarity and the reality of increasing interdependence represent two fundamental dimensions driving the transformation of the post-Cold War order.<sup>①</sup> Opinions vary regarding the future of multipolarity and the EU’s role within it. One viewpoint holds that the world is on the brink of multipolarity, even if its exact form remains unclear, arguing that Europe should actively engage in this multipolar world to avoid marginalization.<sup>②</sup> Charles Grant, director of the Centre for European Reform, wrote an article outlining two potential scenarios for multipolarity. One scenario depicts various powers as “poles” forming rival camps, similar to the great power rivalry during the Cold War, which would make many European nations uneasy. The other envisions a multipolar world dominated by an ideal form of multilateralism, where the EU must harness multilateralism to actively shape multipolarity.<sup>③</sup> Belgian scholar Sven Biscop suggests that the future of multipolarity is uncertain in terms of whether it will lead to more competition or cooperation. He emphasizes that the EU needs a clear strategy to navigate an increasingly multipolar and interdependent world.

The EU’s stance towards multipolarity shifted from “shaping” to “anxiety” following the global financial crisis, a change reflected in its joint declarations with key strategic partners. For instance, joint declarations at the EU-India Summits between 2000 and 2008 frequently mentioned a “multipolar world”. However, such references have disappeared and have been replaced with a focus on “multilateralism” since 2009. The omission of “multipolarity” from joint declarations between China and the EU further highlights the EU’s growing anxiety about the concept. Although China has consistently advocated “multipolarity” in international relations, the joint declarations between China and the EU have never mentioned the term, whereas “multilateralism” remained a

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<sup>①</sup> Giovanni Grevi, “The Interpolar World: A New Scenario”, EUISS, Occasional paper 79, June, 2009, [https://ciaotest.cc.columbia.edu/wps/weu/0017700/f\\_0017700\\_15179.pdf](https://ciaotest.cc.columbia.edu/wps/weu/0017700/f_0017700_15179.pdf).

<sup>②</sup> Richard Higgott, “Multi-Polarity and Trans-Atlantic Relations: Normative Aspirations and Practical Limits of EU Foreign Policy”, GARNET Working Paper No. 76/10, April 2010.

<sup>③</sup> Charles Grant and Tomas Valase, “Preparing for the multipolar world: European foreign and security policy in 2020”, [https://www.cer.eu/sites/default/files/publications/attachments/pdf/2011/e783\\_18dec07-1376.pdf](https://www.cer.eu/sites/default/files/publications/attachments/pdf/2011/e783_18dec07-1376.pdf).

constant theme, even during periods when the EU adopted a more open stance toward “multipolarity”. Additionally, references to the multipolar nature of the international situation have never appeared in the European Commission President’s State of the Union addresses or in EU Security Strategy documents. This indicates that the EU, driven by strategic concerns, has embraced “multilateralism” as a way to address the challenges posed by multipolarity, viewing “multipolarity” as distinct from “multilateralism.”

### **1.3 The EU’s Strategic Reassessment of Multipolarity Amidst Crises**

The EU has been grappling with a range of challenges in the economic, political, security, and integration realms since the Eurozone sovereign debt crisis. These overlapping crises reflect the deep shifts occurring within the international landscape. From the Crimea crisis to the rise of Donald Trump and the outbreak of the Ukraine crisis, the EU had to confront the reality of multipolarity and entered a phase of strategic reassessment. Following the 2014 Crimea crisis, Volker Perthes of the German Institute for International and Security Affairs (SWP) observed, “As emerging powers’ reactions to the Ukraine crisis demonstrate, world politics is no longer defined by what happens in Europe, even when a major conflict is brewing there. The international system has become so multi-polar that non-European states can now choose to follow their own interests rather than feel obliged to side with the East or the West”.<sup>①</sup> The EU’s 2016 Security Strategy marked the start of its reassessment of multipolarity, serving as a catalyst for recalibrating its foreign policy. The strategy explicitly recognizes that relying solely on soft power is inadequate in an increasingly volatile and uncertain global environment. It underscores the importance of prioritizing the EU’s own interests and enhancing its resilience.

Compared to the earlier phase of strategic anxiety, the EU’s recognition of multipolarity notably evolved during this period of reassessment as the EU adopted a more realistic and open approach. This shift is most evident in Germany’s growing references to multipolarity. The former German Chancellor Angela Merkel, who had traditionally taken a cautious stance on the subject, openly recognized the world’s increasing

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<sup>①</sup> Volker Perthes, “Europe in a Multipolar World”, *Project Syndicate*, June 9, 2014, <https://www.project-syndicate.org/commentary/volker-perthes-proposes-two-scenarios-for-the-eu-s-global-role--with-the-test-coming-in-ukraine>.



multipolarity in a 2016 speech to young members of the Union parties. Although she noted that Germany could not aspire to be a global pole, she argued that Europe, with its population of 500 million, could secure its own place in this new order.<sup>①</sup> Following the outbreak of the Ukraine crisis, both Chancellor Olaf Scholz and Foreign Minister Annalena Baerbock have frequently used “multipolarity” when describing the current international situation. Moreover, the German government has formally embraced the concept in its first National Security Strategy: “In parallel, the global order is changing: new centres of power are emerging, the world in the 21st century is multipolar... We are living in an era that is increasingly multipolar”.<sup>②</sup>

At the EU level, besides broader discussions of multipolarity among leaders, the concept has appeared more frequently in official documents. Following Brexit in 2017, the European Commission released the *White Paper on the Future of Europe*, which included a foreword by then-President Jean-Claude Juncker, who emphasized that “Europe will need to play in an increasingly multipolar world”.<sup>③</sup> The EU’s *2021 Strategic Foresight Report* explicitly referred to a “multipolar global order”, claiming the EU, as “an interconnected global pole” in a multipolar world, will continuously leverage its close international partnerships to promote peace, stability and prosperity, presenting a united front against hostile actors and common challenges.<sup>④</sup> In response to the Russia-Ukraine conflict, the EU’s *A Strategic Compass for Security and Defense* acknowledged the return of power politics in a contested multipolar world.<sup>⑤</sup> In July 2024, “multipolarity” was mentioned for the first time in a European Council resolution, marking a preliminary consensus among EU member states on the nature of the emerging multipolar order.

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<sup>①</sup> “Rede von Bundeskanzlerin Dr. Angela Merkel”, Bulletin der Bundesregierung Nr. 48-2, April 30, 2016, <https://www.bundesregierung.de/resource/blob/975954/780724/cb113d47888abfbff410b78ff066acf7/48-2-bk-data.pdf?download=1>.

<sup>②</sup> The Federal Government, “Robust. Resilient. Sustainable. Integrated Security for Germany. National Security Strategy”, June 14, 2023, <https://www.nationalesicherheitsstrategie.de/National-Security-Strategy-EN.pdf>.

<sup>③</sup> European commission, “White Paper on the future of Europe”, March 1, 2017, [https://commission.europa.eu/document/download/b2e60d06-37c6-4943-820f-d82ec197d966\\_en?filename=white\\_paper\\_on\\_the\\_future\\_of\\_europe\\_en.pdf](https://commission.europa.eu/document/download/b2e60d06-37c6-4943-820f-d82ec197d966_en?filename=white_paper_on_the_future_of_europe_en.pdf).

<sup>④</sup> European Commission, “2021 Strategic Foresight Report”, September 8, 2021, [https://commission.europa.eu/strategy-and-policy/strategic-planning/strategic-foresight/2021-strategic-foresight-report\\_en](https://commission.europa.eu/strategy-and-policy/strategic-planning/strategic-foresight/2021-strategic-foresight-report_en).

<sup>⑤</sup> The European External Action Service, “A strategic Compass for Security and Defense”, March 24, 2022, [https://www.eeas.europa.eu/sites/default/files/documents/strategic\\_compass\\_en3\\_web.pdf](https://www.eeas.europa.eu/sites/default/files/documents/strategic_compass_en3_web.pdf).

The EU's acceptance of and strategic reassessment of multipolarity have prompted a shift in its policy objectives. In its phase of strategic anxiety, the EU sought to “navigate multipolarity through multilateralism” by avoiding it. However, in its strategic reassessment phase, the EU started to pursue strategic autonomy and positioned itself as a potential pole within the multipolar world. Europe has gradually accepted the reality of multipolarity and consistently adjusted its international strategic positioning from Emmanuel Macron's speech at Sorbonne, which emphasized the importance of protecting “European sovereignty”, the groundwork for a discourse on European strategic autonomy, to Ursula von der Leyen's proposal for a “geopolitical Commission” in 2019 and Macron's explicit envision of Europe as a “third pole” after his visit to China. In a 2019 interview with *The Economist*, Macron warned of the threat of European marginalization in an emerging bipolar world, urging Europe to assert itself as a political and strategic actor and to adopt a perspective rooted in sovereignty, geopolitics, and power.<sup>①</sup> A June 2024 European Council resolution stated, “The world around us has become more confrontational, transactional, and uncertain. We will adapt to the ever-evolving circumstances, asserting the European Union's ambition and role as a strategic global player in the new multipolar geopolitical context”.<sup>②</sup> This evolving articulation of the EU's strategic aims indicates a shift in priorities, with maintaining the EU's role as a strategic pole in the multipolar world now taking precedence over multilateralism as the EU's priority policy objective.

## **2. Key Dimensions of the EU's Multipolar Perception**

The evolution of the EU's stance on the multipolar order mirrors both significant shifts in the global landscape and its distinctive role as an international actor, changes in its international standing, and revisions of its international strategy over time. The EU's perception of multipolarity extends beyond the perspective of power dynamics and encompasses a range of fundamental issues associated with the global order, such as “multipolarity and stability”, “multipolarity and the American-led order”, “multipolarity and multilateralism”, and “the EU's global role”. The EU's changing stances on

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<sup>①</sup> “The French President Interview with the Economist”, *The Economist*, November 7, 2019.

<sup>②</sup> European Council, “European Council Meeting – Conclusions”, June 27, 2024, <https://www.consilium.europa.eu/media/qa3lblga/euco-conclusions-27062024-en.pdf>.

multipolarity throughout different phases have been closely linked to its perception of these core issues.

## **2.1 Multipolarity and International Order Stability**

The question of “whether multipolarity inevitably leads to chaos and disorder” has significantly shaped the EU’s perception of multipolarity. Jacques Chirac championed multipolarity as a key foreign policy goal for France, believing it would enhance global stability. He often claimed that world peace and stability could only be achieved through “a multipolar distribution of power”, arguing that multipolarity provided a flexibility that rigid bipolar systems lacked.<sup>①</sup> Before the U.S. invasion of Iraq in 2003, Chirac stated, “In the face of the political chaos that a blind international confrontation could lead to, France is committed to building a multipolar world.” Even Nicolas Sarkozy, who generally had unfavorable views on multipolarity, did not see it as inherently destabilizing. Instead, he believed it could pave the way for a new “concert of powers”. Similarly, France’s former foreign minister Laurent Fabius had a more positive view, linking multipolarity with global stability. He expressed concerns about the potential chaos of a “zero-polar world” and voiced his hope for an “organized multipolar world”.<sup>②</sup> Despite the increasing geopolitical tensions, some European perspectives argue that multipolarity does not necessarily lead to instability. They contend that instability arises only when the international landscape lacks representative institutions, regional integration, effective balancing, moral convergence, and diplomatic and communication channels. The values at the heart of the EU’s international identity can play a role in stabilizing an emerging order. Multilateralism, regionalism, diversity, flexibility, and a focus on diplomacy all serve as normative conditions contributing to a “stable multipolarity”.<sup>③</sup>

However, shaped by its historical experiences, the prevailing European views on the

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<sup>①</sup> Goedele De Keersmaeker, *Polarity, balance of power and International Relations theory: Post-Cold War and the 19th Century compared*, Cham: Palgrave Macmillan, 2017, p. 164.

<sup>②</sup> “Speech by Mr. Laurent Fabius, Minister of Foreign Affairs of France on the occasion of the 40th anniversary of the French Policy Planning Staff”, November 13, 2013, [https://www.diplomatie.gouv.fr/IMG/pdf/Speech\\_by\\_Laurent\\_Fabius\\_for\\_the\\_40th\\_anniversary\\_of\\_CAPS\\_-\\_Nov\\_13\\_2013\\_cle47f111.pdf](https://www.diplomatie.gouv.fr/IMG/pdf/Speech_by_Laurent_Fabius_for_the_40th_anniversary_of_CAPS_-_Nov_13_2013_cle47f111.pdf).

<sup>③</sup> Lisa ten Brinke and Benjamin Martill, “Coping with Multipolarity: EU Values and the Stability of International Order”, Dahrendorf Forum IV, Working Paper No. 1120, August, 2019.

relationships between multipolarity and stability are largely influenced by neorealist theories. Neorealism founder Kenneth Waltz argued that bipolarity is an inherently stable system, while multipolarity tends to be unstable. He claimed that the world wars of the early 20th century resulted from a chaotic multipolar system, whereas the Cold War, despite its dangers, provided a more balanced power balancing within the bipolar system.<sup>①</sup> By referencing Klemens von Metternich’s “balance of power” principle, José Manuel Durão Barroso claimed that Europe’s history illustrates the dangers of a multipolar order. He pointed out that a paradox lies at the heart of modern European history: Attempts to create a multipolar balance of power, in order to avoid the emergence of imperial or hegemonic states, ended up with violent competition between great powers.<sup>②</sup>

Amid significant changes in the global landscape and shifts in the international order, the EU has increasingly focused on the power-political perspective of multipolarity while often overlooking its normative connotations. The current chaotic state of global politics has deepened the EU’s view of multipolarity as a potential source of instability. In an address at the World Economic Forum in 2020, Angela Merkel spoke about multipolarity, emphasizing the rising regional tensions within this multipolar environment because there is tension between the poles, and these are constantly changing in strength.<sup>③</sup> Germany’s 2023 National Security Strategy acknowledged the international and security environment is becoming more multipolar and less stable. Despite the growing prominence of the multipolar concept in policy documents of the EU and its member states, concerns remain about the risk of multipolarity leading to greater international competition and conflict. They refuse to attribute normative connotations to multipolarity on the grounds that it is inherently prone to disorder. In a 2023 speech at the UN, Olaf

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<sup>①</sup> Emma Ashford and Evan Cooper, “Assumption Testing: Multipolarity is More Dangerous Than Bipolarity for the United States”, *Stimson*, October 2, 2023, <https://www.stimson.org/2023/assumption-testing-multipolarity-is-more-dangerous-than-bipolarity-for-the-united-states/>.

<sup>②</sup> José Manuel Durão Barroso, “The European Union and Multilateral Global Governance”, June 18, 2010, [https://ec.europa.eu/commission/presscorner/api/files/document/print/es/speech\\_10\\_322/SPEECH\\_10\\_322\\_EN.pdf](https://ec.europa.eu/commission/presscorner/api/files/document/print/es/speech_10_322/SPEECH_10_322_EN.pdf).

<sup>③</sup> Die Bundesregierung, “Speech by Federal Chancellor Merkel at the 2020 Annual Meeting of the World Economic Forum on 23 January 2020 in Davos”, January 23, 2020, <https://www.bundesregierung.de/breg-de/aktuelles/speech-by-federal-chancellor-merkel-at-the-2020-annual-meeting-of-the-world-economic-forum-on-23-january-2020-in-davos-1716640>.

Scholz firmly rejected the idea of attributing any normative attribute to multipolarity.

## 2.2 Multipolarity and Transatlantic Relations

The transatlantic relationship has played a crucial role in shaping Europe's perception of multipolarity, given the US dominance in the West, the special ties between Europe and the US in terms of values and interests, and the fact that the EU's power and influence have largely developed under the US leadership. The divide between Europeanism and transatlanticism in national foreign policies has, to some extent, influenced whether countries support or oppose multipolarity. Europeanists are generally more inclined to support multipolarity and the EU's aspiration to become a pole, while transatlanticists tend to oppose it. The reality, however, is often more complex. For instance, to Jacques Chirac, European integration was itself a means to balance US dominance. By advocating for multipolarity, he sought to counter American unilateralism and isolationism. Facing skepticism within Europe, Chirac had to clarify that his support for multipolarity was not intended to challenge and reduce American power. Instead, it describes a view of the world "that should reinforce the trans-Atlantic relationship".<sup>①</sup>

While France's view of multipolarity reflects a normative stance to limit American hegemony and restrain unilateralism, the broader goal of achieving strategic independence from the US has not gained widespread support across Europe. During the Iraq War, German Chancellor Gerhard Schröder sided with Jacques Chirac in opposing the conflict, but he distanced himself from the idea of multipolarity, especially the creation of a "European pole" independent of the US.<sup>②</sup> The 2003 EU Security Strategy was released as a key response to the divide between "old" and "new" Europe over the Iraq War. Its emphasis on effective "multilateralism" subtly challenged the unilateralism of the Bush administration. However, the strategy also highlighted the crucial role of EU-US relations in building a multilateral world order and enhancing global governance to maintain internal cohesion. In 2009, in response to the rise of emerging powers, Javier Solana, then the EU High Representative, remarked, "The world is increasingly divided

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<sup>①</sup> "A Peek at Chirac's 'Multipolar' World", August 19, 2021, Chicago Tribune, <https://www.chicagotribune.com/2004/02/06/a-peek-at-chiracs-multipolar-world/>.

<sup>②</sup> Goedele De Keersmaecker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 178.

between those who are in the system and the rest”, implying that Europe and the US as the leading actors within the system with a shared fate.<sup>①</sup>

Transatlantic relations remain a contentious topic as Europe keeps reassessing multipolarity and aims for strategic autonomy. Macron’s clear stance on positioning the EU as a “third pole” underscores the importance of not unconditionally aligning with the US. After his 2023 visit to China, he warned “a great risk” Europe faces is that it “gets caught up in crises that are not ours, which prevents it from building its strategic autonomy”. Macron’s “third pole” position has stirred considerable debate within Europe, underscoring the pivotal role of transatlantic relations in shaping the EU’s discussions on multipolarity. Germany’s National Security Strategy also faced criticism for explicitly embracing “multipolarity”. Critics argued that the commitment to multipolarity aimed at positioning Europe as a pole independent of the US and could undermine the importance of the transatlantic alliance.<sup>②</sup>

### **2.3 Multipolarity and Multilateralism**

For the EU, multilateralism serves as a simultaneous goal, tool and value. Multilateralism lies at the core of the EU’s identity and of its strategy to promote its values and defend its interests.<sup>③</sup> Within multilateral mechanisms, the EU holds a unique advantage: It enjoys a level of representation that exceeds its size, and its experience with integration has given it greater strength in negotiation to defend its interests and values. As noted, “the EU’s members wield great influence in organisations such as the UN and the World Bank, preserving and extending their leverage in a time of flux”.<sup>④</sup> Given its unique power, the EU has consistently relied on multilateralism as a crucial tool for managing and curbing power politics. As a result, its stance on multilateralism plays a key role in shaping its view of multipolarity. After its attempt to “navigate multipolarity through multilateralism” fell short, the EU has set multilateralism as the opposite of multipolarity,

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<sup>①</sup> Javier Solana, “Europe’s Global Role: what next steps”, Oxfordshire, July 11, 2009.

<sup>②</sup> Stefan Mair, “In Defense of Multipolarity”, *Internationale Politik Quarterly*, November 17, 2023, <https://ip-quarterly.com/en/defense-multipolarity>.

<sup>③</sup> European Parliament, “The Future of Multilateralism and Strategic Partnerships”, September 11, 2020, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652071/EPRS\\_BRI\(2020\)652071\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652071/EPRS_BRI(2020)652071_EN.pdf).

<sup>④</sup> Anthony Dworkin and Richard Gowan, “Rescuing Multilateralism”, *European Council on Foreign Relations*, June 25, 2019, [https://ecfr.eu/publication/rescuing\\_multilateralism/](https://ecfr.eu/publication/rescuing_multilateralism/).

suggesting that multipolarity is undermining multilateralism.

However, multilateralism is not seen as contradictory but rather as an essential component of multipolarity in France's discourse on multipolarity. Former French Foreign Minister Dominique de Villepin clearly suggested "managing multipolarity through multilateral organizations". He believed a multipolar world should be multilateral rather than one built on a balance of power driven by threats and confrontation.<sup>①</sup> This perspective is echoed in the French government's Indo-Pacific Strategy in response to rising geopolitical competition and tensions. It emphasizes, "In an international context marked by uncertainty and rising unilateralism, France's priority is to propose an alternative: a stable, multipolar order based on the rule of law and free movement, and fair, efficient and inclusive multilateralism".<sup>②</sup> As emerging powers continue to rise, EU leaders have expressed their desire to "navigate multipolarity through multilateralism". In a 2010 speech discussing the relationship between "multipolarity and multilateralism", José Manuel Durão Barroso noted that the growing influence of non-state actors dilutes the power of the major countries. This, along with the interdependence of major powers, requires strengthening multilateral mechanisms. He also noted that in the 21st century, the legitimacy of global governance depends on integrating rising powers into shared efforts at international leadership. The global balance of power may limit hegemonic unilateralism, but it does not by itself stop unilateral strategies by the different poles. Multipolarity may be a necessary condition for global multilateralism, but it is insufficient.<sup>③</sup>

The EU has increasingly viewed multipolarity and multilateralism as conflicting forces since its strategic reassessment of multipolarity. As early as 2014, scholars noted that multipolarity, understood as a global redistribution process among an increasing number of actors, does not imply the linear development of cooperative arrangements underlying the concept of multilateralism. In fact, the opposite is occurring. If anything,

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<sup>①</sup> Goedele De Keersmaeker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 167.

<sup>②</sup> "France's Indo-Pacific Strategy", February 2022, <https://www.diplomatie.gouv.fr/en/country-files/regional-strategies/indo-pacific/the-indo-pacific-a-priority-for-france/>.

<sup>③</sup> José Manuel Durão Barroso, "The European Union and Multilateral Global Governance", June 18, 2010, [https://ec.europa.eu/commission/presscorner/api/files/document/print/es/speech\\_10\\_322/SPEECH\\_10\\_322\\_EN.pdf](https://ec.europa.eu/commission/presscorner/api/files/document/print/es/speech_10_322/SPEECH_10_322_EN.pdf).

multipolarity is placing multilateralism on a more precarious footing.<sup>①</sup> In Europe, there is a common belief that multilateralism and multipolarity are at odds, with the rise of one often seen as contributing to the decline or dysfunction of the other. In 2023, Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy, addressed the relationship between multilateralism and multipolarity, noting that in a multipolar world, countries often assert themselves strategically and ideologically. “The emergence of an increasingly transactional international system is based on bilateral deals rather than global rule.” The new form of multipolarity deepens divisions, making the world more and more multipolar while multilateralism is in retreat.<sup>②</sup>

Despite the transformation of its geopolitical strategy in its policy practices, the EU continues to strive for a balance between multipolarity and multilateralism from a perspective beyond the power dynamics. Olaf Scholz tried to answer the crucial questions, “How can we ensure that the multipolar world will also be a multilateral world? Or to put it another way, how can we create an order in which very different centres of power can interact reliably in the interests of everyone?”<sup>③</sup> He stressed the need for fairer global cooperation within a multipolar framework, emphasizing that “anyone seeking order in a multipolar world has to start here at the United Nations”.<sup>④</sup> Meanwhile, in his speech at French ambassadors’ conference in August 2023, President Macron called for significant reforms to global governance, including changes to the IMF and World Bank. “Unless we bring back many of those countries which are not there, we will allow an alternative order to be created and move towards the marginalization of our own system”.<sup>⑤</sup> Both Macron and Scholz tried to transcend the dichotomy between multipolarity and multilateralism, advocating a more inclusive multilateral order to

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<sup>①</sup> Zaki Laïd, “Towards a Post-hegemonic World: The Multipolar Threat to the Multilateral Order”, *International Politics*, Vol. 51, Issue 3, 2014, pp. 350-365.

<sup>②</sup> Josep Borrell, “Multipolarity without multilateralism”, September 24, 2023, [https://www.eeas.europa.eu/eeas/multipolarity-without-multilateralism\\_en](https://www.eeas.europa.eu/eeas/multipolarity-without-multilateralism_en).

<sup>③</sup> World Economic Forum, “Special Address at Davos 2022 by Olaf Scholz, Federal Chancellor of Germany, in full”, May 27, 2022, <https://www.weforum.org/agenda/2022/05/olaf-scholz-speech-to-davos-2022-in-full/>.

<sup>④</sup> The Federal Government, “Speech by Federal Chancellor Olaf Scholz at the 78th General Debate of the United Nations General Assembly”, September 19, 2023, <https://www.bundesregierung.de/breg-en/news/speech-by-chancellor-scholz-2224546>.

<sup>⑤</sup> “Speech by the President of the Republic at the Conference of Ambassador”, August 28, 2023, <https://www.elysee.fr/admin/upload/default/0001/15/68ca793aaf44c90fd79cbf1bc3a234e71c3e1d57.pdf>.



tackle the challenges of a multipolar world, rather than relying solely on Western-centric multilateral norms and mechanisms.

## **2.4 Multipolarity and the EU's International Standing**

Throughout the EU's shifting perception of multipolarity lies a primitive or ultimate subject – its place in the international order, which has accompanied the entire debate on multipolarity within the EU. The core issue has always been the EU's strategic positioning on the global stage whether the focus has been on “shaping” the multipolar world, or “navigating multipolarity through multilateralism”, or striving for strategic autonomy in a multipolar world. France's discourse on multipolarity has consistently aligned with its strategic ambitions as a major power. Chirac's stance on multipolarity was rooted in a multilateralist goal of restraining unilateralism while resisting a new bipolarity dominated by China and the US.<sup>①</sup> Similarly, Macron's vision of Europe as a “third pole” reflects strategic concerns about Europe's potential marginalization.

Currently, in response to the inevitable rise of multipolarity, a consensus around strategic autonomy has now taken hold in Europe, which has become a new direction for reshaping its international strategy. The logic of European integration is shifting from “regulating power internally” to “constructing power externally”, aiming to enhance the capacity of EU member states to compete effectively in a world of harsh geopolitical competition.<sup>②</sup>

A report from the European Council on Foreign Relations states more clearly that sovereignty is not to be taken from EU member states but recovered from other great powers, such as China, Russia, and the US. Above all, it does not mean trying to end interdependence. In most issue areas, complete European autonomy is not possible or even desirable. It is about gaining the ability to make independent policy decisions and negotiate effectively, ultimately enhancing and leveraging European influence.<sup>③</sup> In a 2023 article for Foreign Affairs, German Chancellor Olaf Scholz emphasized that in a multipolar international order, Europe's primary challenge is to maintain its status as an

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<sup>①</sup> Goedele De Keersmaeker, *Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared*, Cham: Palgrave Macmillan, 2017, p. 164.

<sup>②</sup> Mark Leonard and Jeremy Shapiro, “Strategic Sovereignty: How Europe Can Regain the Capacity to Act”, European Council on Foreign Relations, June 25, 2019, [https://www.ecfr.eu/publications/summary/strategic\\_sovereignty\\_how\\_europe\\_can\\_regain\\_the\\_capacity\\_to\\_act](https://www.ecfr.eu/publications/summary/strategic_sovereignty_how_europe_can_regain_the_capacity_to_act), p. 13.

<sup>③</sup> *Ibid.*, pp. 13-14.

independent international actor.<sup>①</sup>

### 3. Debate on Multipolarity between China and the EU

In contrast to the EU, China's perception of and stance on multipolarity have shown greater continuity and consistency. Both academia and officials in China widely acknowledge the inevitability of a multipolar world, while the promotion of multipolarity remains a goal of its foreign policy. China's perception of multipolarity extends beyond mere power politics and incorporates a normative dimension. In China's discourse, a multipolar world is closely linked not only to "economic globalization" but also to the "democratization of international relations" and is fundamentally tied to the pursuit of a "just and equitable new international order". The Central Conference on Work Related to Foreign Affairs in December 2023 clearly defined an "orderly and equitable multipolar world", further elaborating on the normative attribute that China associated with multipolarity.

Amitav Acharya further distinguishes between "multipolarity as a strategic pursuit and multipolarity as a normative quest". Whilst strategic multipolarity is linked to material power (military and economic resources), normative multipolarity is related to ideational factors that can maintain an international order through shared rules, principles and goals at the global level.<sup>②</sup> The tension between these two types of multipolarity lies in the heart of the differences between China and the EU regarding their views of and approaches to multipolarity. Due to different positions of China and the EU in the reshaping of international order and the transformation of global governance, combined with their political and historical-cultural differences, the EU tend to interpret China's multipolarity proposal through the lens of power politics and a Eurocentric perspective. This has resulted in three key concerns: Will multipolarity lead to conflict? Is multipolarity a form of anti-Americanism? Are multipolarity and multilateralism at odds with each other?

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<sup>①</sup> Olaf Scholz, "How to Avoid a New Cold War in a Multipolar Era", *Foreign Affairs*, Vol. 102, No. 1, 2023, pp. 22-38.

<sup>②</sup> Assem Dandashly, et. al., "Multipolarity and EU Foreign and Security Policy: Divergent Approaches to Conflict and Crisis Response", JOINT Research Papers No. 6, December 6, 2021, [https://www.iai.it/sites/default/files/joint\\_rp\\_6.pdf](https://www.iai.it/sites/default/files/joint_rp_6.pdf).

### 3.1 Will Multipolarity Lead to Conflict?

Without consensus regarding the relationship between multipolarity and stability, the prevailing opinion in the EU suggests that a multipolar world is fraught with competition and conflict and is seen as the primary cause of instability. The current international chaos is often attributed to the emergence of multipolarity. Europe's historical experience with the "concert of powers" and the present global turmoil have further solidified this viewpoint within the EU. The EU's concern that "multipolarity could lead to conflict and disorder" largely arises from a perspective of power politics. This also gives rise to the EU's skepticism towards China's stance on multipolarity, holding that China's push for a multipolar world is a strategy to leverage its increasing influence for regional dominance and to reshape the international order. As early as 2011, a report from a European think tank warned that China might adopt a power-based approach to international relations similar to that of the US.<sup>①</sup> Today, the EU's suspicion regarding China's strategic motives behind its promotion of multipolarity has only intensified, resulting in misunderstandings of China's multipolar vision.

China's stance on multipolarity is rooted in the key principles of independence, equality, and cooperation in international relations. From the beginning, China's stance has been linked to a push for the democratization of international relations. The democratization of international relations means that each country should determine its own affairs, international issues should be resolved through equal consultations among nations, and global challenges should be addressed collaboratively. At its core, this principle asserts that all countries, regardless of their size, are equal in the international system, opposing hegemony and power politics. In 1996, then-President Jiang Zemin elaborated on the core principles of international relations that underpin China's stance on multipolarity. He noted that the multipolar order of the 21st century would differ from the historical patterns of great power rivalry and spheres of influence, emphasizing the importance of independence and autonomy for all nations. Jiang envisioned a future multipolar landscape where both major powers and regional international organizations would act

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<sup>①</sup> Charles Grant and Tomas Valasek, "Preparing for the Multipolar World: European Foreign and Security Policy in 2020", Centre for European Reform EU 2020 Essay, December 18, 2007, [https://www.cer.eu/sites/default/files/publications/attachments/pdf/2011/e783\\_18dec07-1376.pdf](https://www.cer.eu/sites/default/files/publications/attachments/pdf/2011/e783_18dec07-1376.pdf).

as independent and autonomous players engaged in equal cooperation. This envisioned order would be based on principles of mutual respect, equality, trust, and mutual assistance, with all parties working together to promote global peace and development.<sup>①</sup> As the multipolar order evolved, President Xi Jinping introduced the concept of “an orderly and equitable multipolar world” at the Central Conference on Work Related to Foreign Affairs in 2023, further clarifying China’s pursuit of normativity in a multipolar world. The concept of “an orderly and equitable multipolar world” reaffirms the principles and objectives of advancing democracy in international relations, including equality among nations, regardless of size, and rejection of hegemony and power politics. It also stresses that maintaining stability and a positive trajectory in the multipolar process requires adherence to the goals and principles of the UN Charter, upholding universally accepted norms of international relations, and embracing genuine multilateralism as the key approach.<sup>②</sup> In April 2024, during a meeting with German Chancellor Olaf Scholz, Xi Jinping remarked, “China and Germany share a lot in common on the issue of world multipolarity. a multipolar world is, in essence, one where countries with different civilizations, systems and paths respect each other and coexist in peace”.<sup>③</sup> China’s support for multipolarity emphasizes the importance of institutional diversity and peaceful coexistence among civilizations rather than confrontation and conflict.

### **3.2 Is Multipolarity a Form of Anti-Americanism?**

The EU perceives China’s goal of promoting multipolarity to be “anti-American” by establishing a China-centric international order for “de-Americanization”. Unlike the EU's perception, China, as the world's largest developing country, promotes a more inclusive vision of multipolarity beyond a power's perspective, emphasizing a broader dimension that considers a wide range of developing countries. China views the “collective rise of developing countries as a force for peace” as a key component of its

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<sup>①</sup> *Selected Works of Jiang Zemin Volume III*, Beijing: People’s Publishing House, 2006, p. 108.

<sup>②</sup> Portal of the State Council of the People’s Republic of China, “Xi Jinping Delivers Important Speech at Central Conference on Work Related to Foreign Affairs Held in Beijing”, December 28, 2023, [https://www.gov.cn/yaowen/liebiao/202312/content\\_6922977.htm](https://www.gov.cn/yaowen/liebiao/202312/content_6922977.htm).

<sup>③</sup> Portal of the State Council of the People’s Republic of China, “Xi meets German Chancellor Olaf Scholz”, April 16, 2024, [http://english.www.gov.cn/news/topnews/202211/04/content\\_WS6364b265c6d0a757729e24bc.html](http://english.www.gov.cn/news/topnews/202211/04/content_WS6364b265c6d0a757729e24bc.html).

discourse on multipolarity. Central to its goals is elevating the status of developing countries within the global community. China also sees the EU and regional organizations in Africa, the Middle East, and the Arab world as key drivers of multipolarity besides emerging powers. It argues that the power centers in a multipolar world are continuously evolving and the rapid development of developing countries, represented by China, has become an irresistible trend in history, making them a pivotal force for safeguarding world peace and promoting common development.<sup>①</sup>

China's pursuit of normativity in a multipolar order is not directed against any specific country but rather aims to challenge hegemony and power politics and advocate a fairer and more rational international system. In the post-World War II international order, the most unfair and irrational feature was that developing countries lacked adequate representation and voice, leaving them dependent on major powers and restricting their ability to follow independent paths of development. In response, China's normative pursuit of multipolarity aims to give developing nations greater representation and voice and, most importantly, the autonomy to shape their own development models by establishing a just and equitable international order. This goal is not aimed at challenging the US or seeking a role similar to that of the US on the global stage. In profound changes unseen in a century, President Xi Jinping has emphasized the vision of global governance featuring extensive consultation, joint contribution, and shared benefits amid the significant shifts in the international landscape. This approach reflects the inherent logic of China's stance towards an inclusive, open, and diverse multipolar world.

### **3.3 Are Multipolarity and Multilateralism at Odds with Each Other?**

The EU's perception of the relationship between multipolarity and multilateralism has shifted over time from a belief in "navigating multipolarity through multilateralism" to a view that the two are often at odds. The EU now sees the dysfunction of multilateralism as a sequence of "increasing multipolarity and decreasing multilateralism" because competition and conflicts among poles in a multipolar world make it difficult to reach common ground. The EU also views China's push for a multipolar order as a potential threat to multilateralism. Ursula von der Leyen, President of the European Commission,

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<sup>①</sup> "China's Second Africa Policy Paper", China.org.cn, December 7, 2015, [http://www.china.org.cn/chinese/2015-12/07/content\\_37256882.htm](http://www.china.org.cn/chinese/2015-12/07/content_37256882.htm).

has expressed this concern, claiming that “the Chinese Communist Party’s clear goal is a systemic change of the international order with China at its centre. We have seen it with China’s positions in multilateral bodies which show its determination to promote an alternative vision of the world order”.<sup>①</sup>

In reality, China’s stance on multipolarity has an inherent logic consistent with that of multilateralism. Normative multipolarity, whether focused on the principle of equality or the orderly goal, depends on multilateralism to achieve its realization. In a speech at the UN headquarters in Geneva in January 2017, President Xi Jinping emphasized that multilateralism is a crucial path for maintaining peace and fostering development. During a meeting with UN Secretary-General António Guterres in September 2018, President Xi noted that the world has been more in need than ever of multilateralism and a stronger UN.<sup>②</sup> China also emphasizes the fair participation of all parties by following the principle of sovereign equality while opposing unilateralism and hegemony. At the opening ceremony of the Boao Forum for Asia (BFA) Annual Conference in April 2021, President Xi introduced the idea of “true multilateralism”, reiterating that trading system with the World Trade Organization at its core. World affairs should be handled through extensive consultation, and the future of the world should be decided by all countries working together. We must not let the rules set by one or a few countries be imposed on others, or allow unilateralism pursued by certain countries to set the pace for the whole world.

In recent years, the debate between China and the EU on multilateralism and multipolarity has been marked by several misalignments. The EU tries to explain the decline of multilateralism through the lens of power politics and emphasizes a “rules-based international order” from a Eurocentric perspective. This has led it to see the rising influence of emerging powers, especially China, as a threat to multilateralism. However, the core challenges facing multilateralism today are rooted not in this shift but in the lack of legitimacy and representation within multilateral institutions. Compared to the disproportionately high representation of Western countries, many developing nations

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<sup>①</sup> European Commission, “Speech by President von der Leyen on EU-China Relations to the Mercator Institute for China Studies and the European Policy Centre”, March 30, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_23\\_2063](https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063).

<sup>②</sup> “President Xi Meets UN Chief”, *China Daily*, September 2, 2018, <http://www.chinadaily.com.cn/a/201809/02/WS5b8bdab4a310add14f389198.html>.

remain underrepresented, undermining multilateralism's legitimacy. Equal representation is central to China's vision of an orderly and equitable multipolar world. Moreover, the effectiveness of multilateral mechanisms has long been eroded by unilateralism and hegemony, particularly led by the United States. Opposing unilateralism and hegemony and building a fair and just international order are also part of China's vision of multipolarity. Finally, in the absence of both representation and effectiveness, the international recognition of multilateral institutions is increasingly inadequate. Even countries that have long supported multilateralism now talk about international institutions and their bureaucracies as an obstacle rather than an aid to achieving national policy goals.<sup>①</sup>

#### **4. China-EU Cooperation on Multilateralism in a Multipolar World**

Despite differing perceptions of multipolarity and multilateralism, China and the EU share considerable common ground. Both China and the EU include the pursuit of normativity in their discourse on multipolarity, including opposition to hegemony and unilateralism, promotion of diversity, and advocacy of equal cooperation. Some European scholars have suggested the potential for a multipolar order based on mutual respect, diversity, and an appreciation of different viewpoints. Such an order would lead to coexistence rather than conflict.<sup>②</sup> German Chancellor Olaf Scholz has emphasized the need for a multipolar world, stressing the importance of acknowledging the role of emerging nations. He has also opposed the formation of rival blocs and called for every effort to be made to build new partnerships. As the multipolar landscape evolves, the EU has adjusted its strategic goals and tries to seek strategic autonomy more from a geopolitical perspective. It keeps opposing unilateralism, decoupling, and a new Cold War. The EU continues to prioritize multilateralism and open global cooperation, especially advocating greater representation of developing countries in global

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<sup>①</sup> Anthony Dworkin, "Three Crises and an Opportunity: Europe's Stake in Multilateralism", September 5, 2019, [https://ecfr.eu/publication/three\\_crises\\_and\\_an\\_opportunity\\_europes\\_stake\\_in\\_multilateralism/](https://ecfr.eu/publication/three_crises_and_an_opportunity_europes_stake_in_multilateralism/).

<sup>②</sup> Nathalie Tocci, "The Demise of the International Liberal Order and the Future of the European Project", *Istituto Affari Internazionali*, Commentaries 18 | 63, November 2018.

governance. The EU's fundamental stance does not come into conflict with China's pursuit of an orderly and equitable multipolar world. They share a commitment to an UN-centered international system and an international order based on the purposes and principles of the UN Charter and international law.

Despite the ups and downs in China-EU relations, both sides have consistently prioritized strengthening multilateral cooperation as part of their strategic consensus. China's policy towards the EU has remained steady, continually supporting European integration. China views a strong and prosperous Europe as beneficial for peace, stability, and development within a multipolar world. "China's policy toward the EU will remain stable in the long term, consistently recognizing Europe as an independent pole in a multipolar world."<sup>①</sup> Xi Jinping pointed out that China and Europe are two major forces in the world and important participants in and constructors of world multipolarization and the economic globalization process, adding that both sides share broad common interests. China and Europe should join efforts in three aspects. The first is to jointly safeguard multilateralism. We should protect the status and authority of the United Nations (UN) and the international system with the UN at its core.<sup>②</sup> On the European side, the release of *A maturing partnership - shared interests and challenges in EU-China relations* in 2003 marked that Europe formally recognized the global strategic importance of its partnership with China,<sup>③</sup> emphasizing the shared responsibility of promoting global governance as a key goal for future EU-China relations. Although the EU positioned China as a "partner, competitor, and rival" in 2019, it remains fully aware of China's role as an indispensable partner in tackling global challenges. *EU-China – A strategic outlook*, highlights the need for cooperating with China to support effective multilateralism and fight climate change and recognizes China as a strategic partner in addressing global and international challenges.<sup>④</sup> Strengthening multilateral cooperation has been an element in nearly all

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<sup>①</sup> Xinhuanet, "Xi Holds Talks with French President", April 6, 2023, [http://www.news.cn/2023-04/06/c\\_1129499920.htm](http://www.news.cn/2023-04/06/c_1129499920.htm).

<sup>②</sup> Xinhuanet, "Xi Jinping Meets with European Leaders Attending the Closing Ceremony of the China-France Global Governance Forum", March 27, 2019, [http://www.xinhuanet.com/english/2019-03/27/c\\_137925591.htm](http://www.xinhuanet.com/english/2019-03/27/c_137925591.htm).

<sup>③</sup> "A Maturing Partnership - Shared Interests and Challenges in EU-China Relations", September 10, 2003, [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&n\\_doc=2003&nu\\_doc=533](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&n_doc=2003&nu_doc=533).

<sup>④</sup> European Commission, "EU-China – A strategic outlook", March 12, 2019,



joint declarations from China-EU summits for a long time. In particular, both sides expressed a strategic consensus in support of multilateralism in response to the challenges posed by Trump's unilateralism, highlighting the global influence of China and the EU as two major powers, markets, and civilizations.

Cooperation between China and the EU is also based on ample practices. Throughout the history of China-EU relations, the two sides have worked closely on various multilateral issues, such as global climate change governance, the Iran nuclear deal, and World Trade Organization reforms. Regarding climate change, despite differing development stages that have led to varying positions in international negotiations, both sides have narrowed their disagreements, and expanded their consensus under the dual impact of changing global emissions patterns and domestic policy shifts. China and the EU have emerged as key actors in advocating a cohesive framework for international climate governance and made the most important contribution to establishing the climate change regime.<sup>①</sup> The Iran nuclear deal serves as a prominent case study of China-EU collaboration on global security governance, involving both successes and failures. In the wake of Trump's withdrawal from the deal, China and the EU worked together to maintain the deal, representing their shared strategic consensus against US unilateralism. However, the experience also highlighted the persistent challenges in upholding multilateralism in the face of US unilateralism and secondary sanctions. China and the EU have remained committed to coordination despite differences in their positions on maintaining multilateral trade mechanisms. Both sides kept releasing statements to support globalization in response to the US's unilateral and protectionist measures. They also worked to develop a temporary multi-party arbitration arrangement to resolve trade disputes in response to the deadlock in the WTO Appellate Body crisis.

Currently, advancing a global order and fostering multilateral cooperation between China and the EU is haunted by ideological divides and excessive geopolitical thinking. In recent years, the EU has increasingly viewed China as a "systemic rival" and kept broadening the term's denotation. In an April 2021 address to the European Parliament,

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[https://commission.europa.eu/document/download/1fedf472-1554-416e-8351-1346f80a4ff8\\_en?filename=communication-eu-china-a-strategic-outlook.pdf](https://commission.europa.eu/document/download/1fedf472-1554-416e-8351-1346f80a4ff8_en?filename=communication-eu-china-a-strategic-outlook.pdf).

<sup>①</sup> Pietro De Matteis, "The EU's and China's Institutional Diplomacy in the Field of Climate Change", *EU Institute for Security Studies*, Occasional Paper May 2012, p. 11, [https://ciaotest.cc.columbia.edu/wps/weu/0026344/f\\_0026344\\_21585.pdf](https://ciaotest.cc.columbia.edu/wps/weu/0026344/f_0026344_21585.pdf).

Josep Borrell saw China as a “systemic rival” while stressing the importance of cooperation with China on shared challenges. In a joint report to the European Council assessing EU policy towards China, Ursula von der Leyen and Josep Borrell noted, “The reality is that the EU and China have fundamental divergences, be it about their economic systems and managing globalization, democracy, and human rights, or on how to deal with third countries”.<sup>①</sup> From a perspective of geopolitical competition and conflict, the EU often interprets China’s positions on multipolarity and multilateralism through power politics and labels China as a “revisionist force” challenging the existing international order by proposing alternative models and orders. By “creating more flexible multilateralism”, the EU seeks to exclude China from what the EU considers a “like-minded partnership” and hinders potential cooperation between the two sides in navigating the transformation to a multipolar landscape and upholding multilateralism. In reality, from the Belt and Road Initiative to the “Three Global Initiatives”, China’s initiatives offer new avenues for China-EU cooperation. However, for this potential to be realized, the EU should move together with China beyond its perspective of competition and conflict and adopt a more collaborative, diverse, open, and inclusive approach to multipolarity and true multilateralism.

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<sup>①</sup> Stuart Lau, “EU Slams China’s ‘Authoritarian Shift’ and Broken Economic Promises”, *Politico*, April 25, 2021, <https://www.politico.eu/article/eu-china-biden-economy-climate-europe/>.

# **From Strategic Partners to “Systemic Rivals”: Mutual Perceptions of China and EU and Barriers Therein**

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Accurate and rational mutual perceptions are essential for maintaining a healthy, stable relationship between China and the EU. Since 1975, despite diverse differences and divergences, China and the EU have generally viewed each other as opportunities rather than challenges and upheld strategic cooperation with each other. This central theme in their mutual perceptions has provided a stable foundation and sustained momentum for developing China-EU relations, fostering an atmosphere for sharing goals, seeking common ground while preserving differences, tolerating diversity, and achieving mutual benefit. In recent years, however, unprecedented fluctuations have occurred in how China and the EU perceive each other, especially the EU’s perception of China when facing profound changes unseen in a century, current adjustments in China-EU relations, and internal and external dynamics shifting across European countries. In 2019, the EU defined China as a partner for cooperation, an economic competitor, and a systemic rival, marking that European perception of China entered a new phase and inaugurating a more complex, multifaceted, and contradictory period in China-EU relations. Amid profound shifts in the global landscape and public opinion environment, the mutual perceptions of China and the EU have grown increasingly asymmetrical, imbalanced, and irrational. These factors have created psychological barriers and knowledge gaps, obstructing the stable development of their relationship. Whether such barriers and gaps can be overcome will shape each side’s policy logic and the interaction between them, heavily impact the current and future course of China-EU relations, and become a crucial factor in the future international order and relations among major powers. A thorough

examination of the historical shifts in the mutual perceptions of China and the EU and an analysis of the causes and implications of these changes can provide valuable insights into the historical context, current dynamics, trends, and future trajectory of China-EU relations. If the two sides work together to find ways to overcome barriers and bridge gaps, a stable and forward-looking China-EU relationship will become more sustainable and provide greater incredible upward momentum for the evolving global landscape.

Since the 1970s, when the introduction of cognitive psychology methodologies into international relations studies to address mutual perceptions among international actors, academic discourse on related subjects has often remained formulaic and conceptual discussions, while policy studies have been constrained by fragmentation and excessive reliance on empirical facts. By combining the experience and methodology of both approaches and grounded in historical and policy analysis, this article tries to explore the China-EU mutual perception in two parts: the psychological aspect, derived from perception, emotion, memory, and imagination, and the knowledge aspect, based on experience, information, and thinking. Recognizing Europe as a complex political entity encompassing EU institutions and member states, our analysis centers on the EU while drawing on notable literature and cases at the member-state level. Key sources for this analysis include policy statements, key documents, media perspectives, and public opinion data from both China and the EU. The article is structured to identify patterns and origins of the evolution of the China-EU mutual perceptions and then examine the interplay between perceptual shifts and policy changes. Our research aims to offer practical solutions to help China-EU relations move beyond misperceptions toward a clearer and more constructive future.

## **1. Evolution of Mutual Perceptions of China and EU**

Since the establishment of formal diplomatic relations between China and the European Economic Community (the EU's predecessor) in May 1975, the mutual perceptions of China and Europe have undergone a complex process corresponding to the phases in bilateral relations.

### **1.1 From Recognizing to Attaching Importance to Each Other (1975-2006)**

The diplomatic recognition and establishment of formal relations between China and Europe was not only a product of the changing global landscape during the late Cold War

period but also reflected the consciousness of European countries, particularly France and certain Nordic countries, to pursue strategic autonomy despite the confrontation between the Western and Eastern Blocs. Although the early rapprochement and establishment of diplomatic relations between some European countries (and later the European Community) and China were closely intertwined with the great power dynamics among the United States, Soviet Union, and China, their perceptions of China were not entirely constrained by ideological demarcations and played a secondary yet actively positive role in this process. China's decision to approach Europe was predicated on two factors: international power dynamics and its perception of Europe. Specifically, when facing Soviet threats and risks inherent in US-Soviet rivalry, China needed to ease tensions with Europe, the primary representative of the "Second World", to expand diplomatic space and alleviate strategic pressure from the US and Soviet Union.

The period from the establishment of formal diplomatic relations until the early 1990s represented an ambivalent running-in phase in China-EU relations. The willingness and capacity to independently develop bilateral relations were constrained by contemporary changes in China-US-Soviet (Russian) strategic relations and ideological divergences while lacking a sound economic foundation and necessary political conditions. The conclusion of the Cold War further relieved constraints on China-EU relations, with gradually diminishing considerations of strategic rivalry. However, both sides prioritized addressing the new post-Cold War landscape and concentrated their primary efforts on domestic or regional affairs. China initiated and persistently advanced its reform and opening-up policies, with economic development and international cooperation becoming the paramount policy priorities. Meanwhile, the EU was preoccupied with deepening internal integration and cementing its geopolitical advantages and economic dividends accrued in Europe through large-scale expansion. Consequently, China and Europe were not each other's principal strategic focus or policy priorities for a considerable period following the Cold War. Conceiving itself as a "developed economy" and "victor of the Cold War", Europe harbored a pronounced sense of superiority toward the economically underdeveloped and ideologically different China. This conception laid a significant cognitive foundation underlying the EU's imposition of sanctions against China since 1989, which led to a setback in bilateral relations. However, the European side also valued China's massive market scale, economic development potential, and the

benefits of its reform and opening-up. The European Community and some European countries began to conclude trade and investment agreements and initiated economic cooperation with China ahead of other Western economies. In the initial stages of its reform and opening up, China viewed the European region, home to most of the developed economies, as a primary source of capital, technology, and experience. During this period, both parties maintained sufficient interest in each other while focusing on domestic and regional affairs. This provided the necessary conditions for China and Europe to begin attaching importance to their relations and share specific goals.

After a short downturn in bilateral relations following 1989, the EU issued its first strategic policy document on China, *A Long Term Policy for China-Europe Relations*, in July 1995. This marked the EU starting to revise its China policy from a strategic perspective, establishing a fundamental framework for developing long-term relations with China and regarding Europe's relations with China as "a cornerstone in Europe's external relations, both with Asia and globally". The subsequent *A New Strategy on China* released in November 1996 further emphasized the "comprehensiveness, longevity, and independence" of EU policy toward China, proposing to deepen bilateral exchanges and cooperation in areas such as economy, trade, technology, and development assistance. China aligned its policy adjustments with Europe to break through the diplomatic isolation imposed by the West and further advance its opening up. Their bilateral relations transitioned from coldness towards active engagement, rapidly entering a period of accelerated development. In March 1998, China and the EU reached a crucial consensus on their readiness to build and develop a "21st century-oriented long-term and stable constructive partnership" between them. The EU's policy document *Building a Comprehensive Partnership with China*, for the first time, proposed "viewing China as a global partner and engaging with it comprehensively". It advocated elevating China-EU relations to be "as important as EU relations with the US, Japan, and Russia". China's accession to the World Trade Organization in 2001 and the EU's first eastward enlargement in 2003 were the primary catalysts for the elevation and eventual peak of China-EU relations around 2003. The EU perceived China's WTO accession as a sign of its willingness to embrace the existing international trade and economic rules, while China's vast market unleashed its full appeal to European capital. The EU's large-scale eastward expansion rapidly bolstered its economic power and political influence,

prompting China to attach greater strategic significance to the EU. As a result, China and the EU established a comprehensive strategic partnership shortly before the EU's eastward expansion in 2003. The Chinese government released its first policy document on the EU, ushering in the first "honeymoon period" for China-EU relations, which lasted until around 2006.

## **1.2 From Emerging Tensions to "Four Partnerships" (2006-2016)**

As economic cooperation and political exchanges between China and the EU deepened, friction in trade and divergence in political positions became unavoidable. China's rapid economic development began to spark a sense of "competition" in Europe, and the EU's interference in China's internal affairs under the guise of "human rights issues" prompted strong opposition from China. In response, the EU resolved to adjust its policy principles toward China by adopting a more assertive and "balanced" stance when addressing economic competition and political differences. Again, the EU sought to regain the initiative in bilateral relations by initiating policy adjustments. In October 2006, the European Commission released its sixth policy document on China, titled *EU-China: Closer Partners, Growing Responsibilities*, accompanied by a policy paper on *EU-China Trade and Investment: Competition and Partnership*. In these documents, the EU introduced the principle of "conditional engagement" with China and acknowledged the "competition" factor in economic and trade relations, both for the first time. After a series of events in 2008, including European leaders' interference in China's internal affairs through meetings with the Dalai Lama and the severe disruptions faced by Chinese Olympic torchbearers in Europe, the EU's China policy adjustments and their implementation plunged China-EU relations into a tumultuous period. Political mutual trust between the two sides declined, increasing the risk of a downward spiral in bilateral ties.

However, the outbreak and persistence of the Eurozone debt crisis in 2009 significantly altered the trajectory of declining mutual perceptions of China and the EU. Many European countries were embroiled in the debt crisis, increasing their reliance on trade and investment with China. China took an objective view of the crisis's impact on Europe, acknowledging that despite its economic predicament, Europe possessed a strong foundation and robust, innovative capabilities. Notably, major European economies like Germany maintained sound fiscal conditions. China believed that Europe could

overcome the challenges posed by the debt crisis, provided it addressed the issues appropriately. Therefore, China sent strong political signals supporting Europe's recovery while intensifying its cooperation with Europe in both trade and investment. Trade and investment flows from China substantially alleviated the debt problems of several countries. China's demonstration of "staying with the EU through thick and thin" significantly endeared itself to the EU, contributing to an improvement in mutual perceptions. Signs of the EU's perception of China stabilizing and even improving emerged in some countries.

China began to adjust its positioning of the China-EU relationship and further elevate its strategic significance against the backdrop of deepening economic cooperation and strengthening political trust. At the 16th China-EU Summit in November 2013, the two sides jointly formulated the *EU-China 2020 Strategic Agenda for Cooperation*, setting "common goals for strengthening cooperation in areas such as peace and security, prosperity, sustainable development, and people-to-people exchanges". During a meeting with visiting European Council President Herman Van Rompuy and European Commission President José Manuel Barroso, Chinese President Xi Jinping, for the first time, pointed out that as the biggest developing country and the largest union of developed nations respectively, China and the EU are "two major forces" for safeguarding global peace; as two major economies in the world, China and the EU are "two major markets" for promoting common development; as important birthplaces of eastern and western cultures, China and the EU are "two major civilizations" for pushing for progress of mankind. In March 2014, President Xi Jinping, in his first visit as Chinese head of state to the EU headquarters, proposed that "the two sides should jointly forge China-EU partnerships for peace, growth, reform and civilization to inject new impetus into China-EU cooperation". High-level interactions and cooperation between the two sides reached a peak across various domains, ushering in a renewed "honeymoon period" of China-EU relations.

The mutual perceptions of China and the EU during this period underwent a more pronounced transformation than in previous phases, gaining a more complex and multifaceted structure. Firstly, the EU's perception of China revealed inherent contradictory sentiments and intricate cognitive structures to a greater extent. The desire for economic cooperation grew in tandem with political and strategic apprehensions. The



need for intergovernmental collaboration co-existed with a persistent unfavorable trend in public opinion. Even with a heightened need for cooperation with China during the debt crisis, the EU maintained the view that emerging actors with their own worldviews and interests (with rising power) are a defining characteristic of the contemporary international environment, harboring anxieties about its values, institutions, and models being “challenged by emerging powers”. While recognizing that Europe was entering a challenging period marked by the emergence and sustained presence of various tensions, China maintained a positive stance, acknowledging that “Europe is home to most of the developed economies and a significant and unique force in the contemporary world, and the EU is core and body of Europe”.<sup>①</sup> Even with relatively smooth bilateral relations development, a discernible gap persisted between Europe’s negative perception of their relations and China's optimistic attitude.

### **1.3 From “Fair Treatment” to “Three Definitions” (2016-2019)**

The cooperation between China and the EU in addressing the Eurozone debt crisis stemmed the decline in mutual perceptions to a certain extent, ushering in a second “honeymoon period” for bilateral relations, which did not last long. The first factor contributing to this short-lived intimacy was that the EU still harbored a negative undercurrent of resentment, suspicion, and apprehension towards China despite the EU’s pragmatic strengthening of cooperation with China in managing the debt crisis. Certain segments of European public opinion fluctuated between seeing China as a “challenger” and a “partner”, with peculiar negativity and wariness coming from interest groups and the public. China was not only viewed by some as the “root cause of Europe’s economic troubles” but also faced increased politicization around Chinese investments and businesses operating within Europe. For instance, some officials and media outlets interpreted Chinese investors and businesses entering European markets for legitimate commercial and investment activities during the debt crisis as China “buying up Europe” and “undermining the European way of life”. The then EU Energy Commissioner

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<sup>①</sup> Liu Haixing, “Situation in Europe and China-EU Relations in 2012”, *Contemporary World*, No. 12, 2012, pp.14-16. The author was then the Director General of the Department of European Affairs of the Chinese Ministry of Foreign Affairs, and his views represented the Chinese government’s perception of Europe.

Günther Oettinger even issued a warning, claiming China was taking over the EU and Europeans were selling their souls.<sup>①</sup> The EU and governments of some member states even amplified these concerns by echoing “public sentiment”. They made it a weapon for pressuring China instead of providing explanations or guidance on certain issues within China-EU relations. Furthermore, some EU member state governments and public opinion harbored strong ideological biases against China. Events like the Liu Xiaobo case, involving political interference, severely exacerbated the European public opinion on China.

The second factor was the deeply ingrained nature of Europe’s evolving perception of China since 2006, which the cooperation during the crisis failed to alter. While recognizing the substantial need for cooperation, the internal discourse of Europe advocated transforming the “conditional engagement” strategy toward China into a principle of “unconditional engagement” and translating it into “forceful policy practices” since 2009. Some people demanded that Europe adopt a “fair and equal” stance toward China with “equal concern for concerns, equal concern for interests” and prioritize “freer and fairer market access in China” as a paramount interest in its China strategy.<sup>②</sup> The EU also increased its coordination with other countries in managing its economic relations with China, particularly on issues such as the Renminbi exchange rate, resource exports, and market access, aligning its positions with the US, Japan, and others to collectively pressure China. This tendency further expanded from the economic policy domain into the EU's overall China policy considerations, forming a policy consensus of establishing “fair competition” as the principle for managing relations with China. This position was fully reflected in the EU’s 2016 policy document *Elements for a new EU strategy on China*.<sup>③</sup>

The third factor was the rise in China’s comprehensive strength during this period, leading to a surge in its strategic autonomy and policy proactivity in foreign affairs.

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<sup>①</sup> Qiu Lin, “‘Acquiring Europe’ is a ‘High Hat’ on China”, *People’s Daily (Overseas Edition)*, January 5, 2011, <https://jingji.cntv.cn/20110105/101981.shtml>.

<sup>②</sup> Yuan Xue and Li Jing, “Market Access: Paramount Interest of EU in China”, *21st Century Business Herald*, December 20, 2010, <http://finance.sina.com.cn/roll/20101221/03059136642.shtml>.

<sup>③</sup> European Commission, “Elements for a New EU Strategy on China”, June 22, 2016, [https://www.eeas.europa.eu/sites/default/files/joint\\_communication\\_to\\_the\\_european\\_parliament\\_and\\_the\\_council\\_-\\_elements\\_for\\_a\\_new\\_eu\\_strategy\\_on\\_china.pdf](https://www.eeas.europa.eu/sites/default/files/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf).

Unable to transcend the confines of past experience and maintain its psychological advantage over China, Europe exhibited significant discomfort in the face of China's growing power and policy adjustments, resorting to “fair and equal” and assertive balancing policies. While continuing to support European integration, China formulated a more proactive, pragmatic, and balanced policy towards the EU. China noticed that the debt crisis had led to “sub-regionalization” and “renationalization” within the EU in terms of economic development levels and appeals. Based on this, China proposed policy positions to “explore new modalities and channels of China-EU cooperation, with mutual complementation and coordinated execution, according to the distinct characteristics of member states, sub-regions, and EU institutions, around the goals and objectives of China-EU relations”.<sup>①</sup> With this three-level policy framework, China enhanced its relations with major European powers like Germany, France, the UK, and Italy. It also initiated cooperation with sub-regions like Central and Eastern Europe, Northern Europe, and Southern Europe. This approach marked a departure from the previous excessive reliance on developing relations with the EU to address mutual concerns, offering a more balanced and practical approach and giving China initiative in its relations with the EU. However, the EU interpreted China’s pursuit of a more balanced and effective policy towards the EU as a diplomatic strategy for “dividing Europe”. After a brief period of hesitation, the EU attached similar political labels to policy initiatives launched by China during this period, such as the “China-Central and Eastern European Countries Cooperation Mechanism” and the “Belt and Road Initiative”, which were targeted at or closely involving Europe.

Over the decade from 2006 to 2016, Europe’s perceptions of China underwent complex changes. Despite a period of improvement driven by China-EU cooperation during the European debt crisis, the EU, based on its own values and constrained by historical experience, remained divided between recognizing the immense value of China-EU economic and trade cooperation and the existence of fundamental divergences in the political realm. Amid further shifts in the dynamics of China and Europe in terms of

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<sup>①</sup> Song Tao, “Changing Europe and China-Europe Relations”, *Global Review*, No. 6, 2012. The author was then the Deputy Minister in charge of European affairs at the Chinese Ministry of Foreign Affairs. For a more detailed analysis of this policy approach, see Cui Hongjian, “A 3D Pattern of Comprehensive Development of China-EU Relations Is Taking Shape”, December 2013, Xinhuanet, <http://theory.people.com.cn/n/2013/1205/c136457-23749942.html>.

economic strength to comprehensive capabilities and under the constant pressure of evolving international and regional circumstances, Europe's fragmented perceptions of China were increasingly concretized, substantiated, and reinforced, ultimately leading to a state of confrontation. In the context of the EU's emphasis on values-based diplomacy and its geopolitical pivot, this evolution culminated in the EU's 2019 view of China as "a cooperation and negotiating partner, an economic competitor, and a systemic rival". These three definitions served as the psychological foundation and cognitive origin for the EU's evolving perception of China.

## **2. Profound Impact of COVID-19 and Ukraine Crisis on Mutual Perceptions**

Shortly after the EU outlined the three definitions of China, the outbreak of the COVID-19 pandemic and the ensuing interaction between China and the EU in addressing this global public health crisis became a pivotal moment profoundly shaping their mutual perceptions. The pandemic exacerbated the negative aspects of the EU's perception of China and further solidified its three definitions of China. The divergent perspectives regarding the following Ukraine crisis, which persists to this day, have further compounded these challenges, worsening the cognitive deficits of the two sides.

### **2.1 "Battle of Narrative" Between China and EU During COVID-19 Pandemic**

The COVID-19 pandemic presented a common crisis and challenge for humanity. Unfortunately, the cooperative efforts of China and the EU in addressing this unprecedented challenge did not translate into improved mutual perceptions. Instead, the highly politicized response from the EU side thrust China and the EU into a so-called "Battle of Narrative".

European perception of China during the pandemic underwent roughly three stages, corresponding to the phases of the pandemic's control in China and Europe. From late January to mid-March 2020, marked by the outbreak of the pandemic in China and its full-fledged efforts to combat it while Europe was yet to experience the outbreak, European public opinion focused mainly on the development of the pandemic in China and its response. From mid-March to mid-April, as Europe faced its own outbreak while China had largely contained the virus, European public opinion entered a new phase by

focusing on its own response. This was marked by the EU's official proclamation of a "Battle of Narrative" between China and the EU, centering primarily on China's public opinion toward Europe, China-EU cooperation in pandemic response, and China's public diplomacy towards Europe. From mid-April to late May, a more concentrated wave of criticism and accusations against China emerged in European public opinion, exhibiting signs of alignment with certain segments of American public opinion. These criticisms centered around claims of China's "delaying response to the pandemic", "deceiving the international community", and "concealing data" and demands for "accountability" and "compensation". The changes in European public opinion on China closely corresponded to the phases of the pandemic's control in China and Europe, indicating a continuous shift in the role assumed by European public opinion. During the initial phase of the pandemic, when China was grappling with the virus while Europe experienced only sporadic cases, certain segments of European public opinion equated the pandemic with "China's disease", or "the disease of the East". They reported and commented on what was happening in China with an air of "civilizational superiority" and detached observation. For instance, the German weekly magazine *Der Spiegel*, in its 6th issue in February 2020, bore a cover image titled "Novel Coronavirus: Made in China", deliberately associating the virus with China. Some German media outlets or individuals went so far as to openly propagate racist rhetoric, tacitly endorsing and inflaming xenophobic sentiments, particularly discrimination against Chinese people. French public opinion also witnessed the emergence of fallacious claims that the coronavirus was a "yellow alert" or a "yellow peril". Not only did they criticize China's initial response to the outbreak, but they also accused the Chinese government of "intensifying censorship and control over public opinion". Some even unscrupulously attributed the outbreak to China's "authoritarian system", a prejudiced interpretation of the Chinese political system. When the pandemic was raging in Europe and got contained in China, European public opinion briefly subsided. This was partly attributed to the media's shift towards the domestic situation and the shattering of the previous narrative of "European immunity to COVID-19", making it temporarily difficult to reconstruct a critical perspective on China. However, as China actively provided assistance to Europe in its fight against the pandemic and the "Battle of Narrative" between China and the US escalated, European public opinion re-emerged, reconstructing a more politicized critical

lens towards China's system and actions. Against this backdrop, the EU's official perception of a "Battle of Narrative" between China and the EU became the prevailing theme for subsequent European perception of China.

It is worth noting that within shifting European perceptions, a clear trajectory existed in the official perception, increasingly influencing, intervening, and ultimately shaping public opinion. During the initial stage of the pandemic in China, most European governments expressed sympathy and provided material assistance, with frequent friendly interactions between leaders. However, public opinion with negative sentiments towards China diverged significantly from the official stance. After the pandemic entered the second stage, European countries faced mounting pressure in their pandemic response. Some governments began to shift their official positions, aligning themselves with the so-called "public opinion" represented by the media. For instance, while acknowledging the achievements of China's pandemic response, the German government suggested that China was attempting to "capitalize on the situation to enhance its geopolitical influence over Europe". The French government also positively commented on Franco-Chinese cooperation in the pandemic response, but it asserted that the differing pandemic strategies "highlighted the ideological discrepancies between the two countries". This complex mindset was characterized by concern over China's growing influence and a relentless focus on systemic differences between China and the EU, which became increasingly evident after China intensified its material aid for Europe's pandemic response. Consequently, a marked shift was observed in official stances among European countries. A notable sign was a statement issued by Josep Borrell, the then High Representative of the EU for Foreign Affairs and Security Policy, in March 2020. He asserted that "China is aggressively pushing the message that, unlike the US, it is a responsible and reliable partner. In the battle of narratives, we have also seen attempts to discredit the EU". Therefore, the EU "must be aware there is a geopolitical component including a struggle for influence through spinning and the 'politics of generosity'. Armed with facts, we need to defend Europe against its detractors".<sup>①</sup> The characterization by Borrell signified a notable shift in the EU's official perception of China, reflecting

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<sup>①</sup> European Union External Action, "The Coronavirus Pandemic and the New World it is Creating", March 23, 2020, [https://www.eeas.europa.eu/eeas/coronavirus-pandemic-and-new-world-it-creating\\_en](https://www.eeas.europa.eu/eeas/coronavirus-pandemic-and-new-world-it-creating_en).

direct EU-level intervention and shaping Europe's understanding of China.

Another noteworthy fact is that the perceptions of China held by the EU's member states and subregions varied considerably during the pandemic while the EU attempted to unify its perceptions of China. Countries experiencing more severe pandemic situations and receiving greater support from China exhibited a more positive public opinion of China. In contrast, countries with milder pandemic situations that emphasized "reciprocal aid" with China witnessed a more negative discourse on China. For instance, Italy and Spain, the epicenters of the pandemic in Europe, fostered close cooperation with China in the pandemic response. Their government and public opinion exhibited a more positive sentiment toward China. Political leaders in both countries publicly expressed gratitude for Chinese assistance and confidence in the positive trajectory of bilateral relations through video messages and interviews. In countries like France and Germany, with stronger power awareness and more robust pandemic response capabilities, public opinion exhibited a more pronounced critical tone towards China, while official discourse remained more ambiguous. On the subregion level, Western and Northern European countries displayed a more negative discourse on China, with a stronger negative sentiment in public opinion and a more pronounced tendency for official pronouncements to follow suit. Southern and Central-Eastern European countries exhibited a more positive discourse on China. While some critical voices emulated Western and Northern European narratives in public opinion, the hype surrounding China-related issues was lower. Moreover, official discourse generally maintained a positive stance, broadly acknowledging China's pandemic aid and support. In particular, Serbia and Slovakia consistently displayed a high level of positive sentiment toward China in both official and public opinion. This factor partly led to the EU's official intervention in public opinion and its characterization of a "Battle of Narrative". The variations in European public opinion on China on national and subregional levels stemmed from the modes of interaction with China during the pandemic and reflected the foundation of bilateral relations and the positiveness of mutual perceptions. Most of the European countries with more favorable public opinion towards China have participated in the Belt and Road Initiative. The China-Central and Eastern European Countries Cooperation Mechanism, which has been operational for several years and achieved notable progress, has also laid the foundation for a more positive public opinion

on China in Central and Eastern Europe.

## **2.2 Spillover of Ukraine Crisis and Mutual Perception Barriers**

The Ukraine crisis, which erupted in February 2022 and persists to this day, should not have been a significant factor influencing mutual perceptions of China and the EU. However, the two sides' divergent perceptions and responses to the crisis have become a major obstacle in bilateral relations due to differing understandings of its origins and nature, divisions in their respective interests, and the EU's insistence on linking China's position and China-Russia relations with China-EU relations.

China and the EU hold significantly different views on the causes and nature of the Ukraine crisis. From Europe's perspective, the inherent tension between Russia's pursuit of a "sphere of influence" driven by a great power (imperial) consciousness and the tendency of smaller countries to seek "collective security and protection" presents an irreconcilable contradiction, serving as the root cause of the conflict in Ukraine. Based on this understanding, most European countries emphasize the "defensive nature" of NATO, rejecting Russia's claim of having a "right to retaliate against NATO's expansionary encroachment on its security space". As a result, they characterize the conflict as a "military invasion of Ukraine by Russia". China assesses the origin and nature of the Russo-Ukrainian conflict primarily from the perspective of the efficacy of regional security architecture. China posits that the conflict is essentially a strong backlash from Moscow against the US use of NATO and Ukraine as tools to confront Russia. The conflict is fundamentally a severe manifestation of great power competition and confrontation at the regional security level. Accordingly, China maintains that both Russia's and Ukraine's security concerns are equally important and should be given equal respect and consideration. China urges European countries, as regional security stakeholders, to take measures that contribute to a ceasefire and cessation of hostilities and establish a balanced, effective, and sustainable regional security architecture to prevent future conflicts and achieve long-term stability.

These divergent perceptions of the crisis's nature directly translate into divisions in China's and the EU's stances and policy responses, which, in turn, further exacerbate differences and divisions in their mutual perceptions. It is understandable that China and the EU hold divergent perceptions of the Russo-Ukrainian conflict as the crisis occurs on Europe's doorstep and China is not a direct party involved. Under the influence of



preconceived notions and US attempts at co-option, the EU has made unrealistic and unreasonable demands on China. These include public condemnation of Russia and participation in Western sanctions against Russia while linking China's position to China-EU relations. Given this significant gap in perceptions and stances, disparities and disagreements in China's and the EU's expectations and concerns remain unavoidable, though the two sides have maintained close communication in addressing the crisis. The decline in political trust between the two sides has not shown significant improvement since the wake of the COVID-19 pandemic. This divergence in perceptions concerning third parties presents a new challenge to mutual perceptions of China and the EU, posing an additional barrier in their efforts to advance bilateral cooperation.

As the barriers in mutual perceptions of China and the EU spill over to involve third parties like Ukraine and Russia, the US has exerted significant third-party influence on Europe's perception of China by injecting its strategic intentions and narrative into the European discourse. Driven by its global strategies and China policy objectives, the US seeks to leverage the Ukraine crisis to mobilize Europe. Besides unifying their stance on Russia, the US tries to shape European strategic and China-related perceptions by highlighting a supposed "China-Russia alliance". Under the guise of "upholding the rules-based order", the US utilizes bilateral mechanisms such as the EU-US Dialog on China and the EU-US High-Level Consultations on the Indo-Pacific, as well as the NATO framework, to align European thought with its own and coordinate their actions. By hyping up a "China-Russia unity" and drawing a distorted analogy between the Ukraine crisis and the Taiwan issue, the US deliberately "helps" Europe amplify its ideological and institutional divide with China, constructing a narrative logic and discourse system around a supposed "confrontation between democracy and authoritarianism". It also encourages the "active involvement" of Europe in Asia-Pacific affairs, seeking support and cooperation from Europe in its China strategy in the region. The confluence of US-rejected perceptions and certain voices within Europe creates a resonance, gradually shifting the fear and hostility directed toward Russia onto China. From China's perspective and stance, Europe was understandably in a highly emotional and reactive state, given its position on the brink of crisis and in the center of a whirling vortex in the initial stages of the Russo-Ukrainian conflict. This inevitably led to an exaggeration of the crisis's severity and relevance, even to the extent of treating its own

understanding and position as the sole measure for judging the stances and policies of other countries. Therefore, China showed understanding of and compassion for Europe's emotional state, chose not to engage in direct confrontation with the EU's unreasonable and incongruous demands, which were not in line with the essence of China-EU relations, and maintained regular communication with the EU regarding the Ukraine crisis within the framework of China-EU relations. Despite China's understanding, goodwill, and forbearance, the EU did not promptly elevate its perceptions or alter its stance. In various bilateral exchanges and unilateral pronouncements, the EU continues to prioritize the Ukraine crisis over China-EU relations. Besides expressing dissatisfaction with China's position, the EU also links China-Russia relations into the equation, frequently conveying the message that "the closer China-Russia relations become, the more problematic China-EU relations will be". This trend readily suggests to China that certain EU institutions and individuals are using emotionalism as a smokescreen to intentionally leverage the Ukraine crisis to pressure China and align with US strategic intentions. China decides its stance based on its understanding of the nature of the conflict and its assessment of major power relations. China will neither yield to US pressure nor be swayed between Russia and Europe. The strategic pressure on China-EU relations is steadily increasing.

The Ukraine crisis undeniably constitutes a major event impacting Europe's geopolitical and security landscape. While being a significant factor in the shifting dynamics of major power relations and potentially affecting international order stability, the Ukraine crisis should not be the primary or necessary issue in China-EU relations, nor should it be a prerequisite for the development of China-EU relations. After years of cooperation and interaction, China and the EU have developed a tacit understanding of communication principles, established proven channels of communication, and formulated comprehensive policy agendas encompassing bilateral, regional, and global issues across their three pillars of strategic, economic and trade, and people-to-people dialogs. Prior to the Russo-Ukrainian conflict, exchanges at all levels between China and the EU would encompass regional issues, including the Ukraine issue. However, these discussions were always subservient to the overarching framework and principles of fostering mutual understanding and mitigating differences between China and the EU. Even with the escalation of the issue into a crisis and the involvement of various parties in the conflict,

it should serve as an opportunity for enhancing mutual understanding and seeking common ground between China and the EU rather than becoming a negative precondition unilaterally imposed by Europe on China-EU relations. If a precondition for China-EU relations must be established, it can only be the promotion of cooperation and the management of differences.

### **3. Root Cause of Barriers in Mutual Perceptions of China and the EU**

The review of historical stages and case studies above demonstrate that the primary factors influencing the changing mutual perceptions of China and the EU and gradually leading to barriers are rooted in the fundamental changes in Europe's understanding of the global landscape and order and its vision for their development along with the shifts in the global landscape and order. These changes have significantly impacted the existing framework of mutual perceptions of China and the EU. In the context of "profound changes unseen in a century", as termed by China, or a "Zeitenwende", as termed by Europe, both sides must continuously enhance their confidence in addressing challenges and their ability to adapt to changes. This necessitates a heightened capacity for mutual perceptions to overcome psychological barriers and bridging knowledge gaps.

#### **3.1 Europe's Evolving Perceptions and Policies as Root Cause**

Europe's perception of the contemporary global landscape has been shaped by a decade of experience in escalating internal and external contradictions, coupled with a declining capacity to address them. This perception inevitably carries undertones of heightened pessimism and disillusionment. The thematic focus of the Munich Security Conference annual reports, from 2015 onwards, reveals two prominent threads underpinning Europe's shifting worldview: a deepening sense of insecurity and bewilderment concerning the direction of change. From "a collapsing order" to "enduring crises", from the fragmented reality of a "post-truth, post-Western, post-order" fragmentation to the "helplessness" of "de-Westernization", Europe's policymakers have repeatedly questioned the direction of the evolving global landscape. Their sense of crisis regarding the "crumbling of the liberal-democratic order" has intensified year after year, attributing this crisis to internal "reluctant guardians" and external "reckless disruptors". In a context of rapidly escalating risks of uncontrolled great power competition and the prospect of

Europe becoming a prime battleground, the mainstream European understanding reluctantly acknowledges that “a multipolar order dominated by US-China competition” most accurately reflects the future scenario. Ensuring Europe’s place within this competitive dynamic and solidifying its position as a pole has emerged as the ideal outcome for Europe. Drawing upon its past experience, Europe has made upholding the “liberal-democratic order” its fundamental political stance in navigating this transforming landscape. Europe further posits that the most immediate and significant challenge to the “liberal-democratic order” lies in the substantial impact on universal rules based on “universal values”. This impact encompasses both internal political challenges from “illiberal democracy” and populism, as well as institutional challenges to the “rules-based international order” from “authoritarian states”. Based on this perception, Europe had to adopt a “less naive” approach toward its vision of a rules-based international order, embrace the realist logic of power, and transform itself to secure a foothold in the first tier of great power competition. Only then will Europe retain its voice, influence, and the associated rule-making power in the emerging order.

Europe’s changing views on economic development follow similar perceptions and logic. The EU leveraged the previous wave of expansion in globalization to elevate and promote its economic rules and standards. This process significantly reinforced the perceived universality of these rules while diminishing the EU’s inherent geopolitical characteristics as a power. However, the inherent contradiction between the EU’s characteristics as a geopolitical economic power and its “universal rules” became increasingly prominent and difficult to conceal along with the slowdown of globalization, particularly as Europe encountered successive crises, experienced declining economic competitiveness, and witnessed the success of economies like China in leveraging rules in globalization based on their respective conditions. From introducing and generalizing the concept of “European sovereignty” to emphasizing economic security and extending “strategic autonomy” to the economic sphere and to proposing green and digital transitions under the banner of “geopolitical transformation”, the EU attempts to alter the international economic environment in which it is losing rule-setting power to provide political legitimacy for further market integration, deepening of the economic and monetary union, and the construction of technological, industrial, energy, and fiscal unions. Europe’s outlook on development has shifted from its previous reliance on liberal

rules for geopolitical economic expansion in globalization to a new logic featuring political/security protection + geopolitical economic competition and dominated by geopolitical gaming within a multipolar order. This new paradigm constitutes Europe's primary outlook on the international order and its development for the present and the foreseeable future.

The message that "Europe is becoming a loser in economic globalization" has become a frequent rhetoric of European conservatives in their mobilization for political support and the official discourse justifying Europe's geopolitical transformation. Reshaping the economic landscape and profit-sharing models that are favorable to its own development through geopolitical means have become the primary motivation of European policy-making. This approach also serves as the primary rationale for resolving the inherent contradiction between its political transformation objectives and its existing economic interests. However, an unavoidable reality is that Europe has achieved the most optimal allocation of resources by utilizing the opportunities presented by economic globalization. Its "energy dependency" on Russia and "market dependency" on China have underpinned its current geopolitical economic landscape and outward-oriented profit model, enabling it to promote its economic ideology and market practices. This, in turn, fostered a strong symbiotic relationship between Europe and emerging economies. Allowing geopolitical logic to freely drive political confrontation and dictate economic policy would lead to a profound structural shift in Europe's existing geopolitical economic landscape. Europe has proposed a diversified distribution of suppliers to mitigate the economic pressure arising from its political transformation. However, the pursuit of the economic potential of internal integration, the shift towards North America, the Middle East, and North Africa for energy supply, and the repositioning of industries in Southeast Asia are fraught with uncertainties and potential costs unacceptable based on existing cost-benefit analyses. The stark division and ongoing debate within Europe's political and economic circles surrounding the imperative to "reduce dependency" reflect a forceful collision between political confrontation and economic symbiosis. Moreover, compared to Europe's attempts to shed its energy dependence on Russia in the wake of the Ukraine crisis, the economic ties between China and the EU are far more deeply interwoven. Any significant alteration would come at a considerably higher cost. Therefore, the future trajectory of China-EU economic and trade relations leaning more

towards cooperation or competition hinges on Europe's ability to truly address the intricate relationship between political confrontation and economic symbiosis in its China policy.

### **3.2 China and EU Should Overcome Barriers in Mutual Perceptions and Bridge Knowledge Gaps**

Differences in values held by China and the EU and the EU's reinforcement of values-based diplomacy have emerged as primary drivers of the impact on mutual perceptions of China and the EU. In responding to the changing global landscape, Europe seeks to define its political identity and mobilize political support through a strong emphasis on values while addressing internal issues of "non-liberal democracy" using strict political rules. To expand its interests, Europe also attempts to influence political shifts in the US and rally political allies among middle-income countries by appealing to "shared values". However, the contradiction between the EU's commitment to singular values and the complexities of a multipolar world becomes evident when it comes to relations with non-Western countries, particularly China, diminishing the effectiveness of values-based diplomacy, which may even generate side or adverse effects. Europe's expansion of interests in a multipolar world encounters various forms of opposition rather than being bolstered by values. In recent years, the rise in perception divergence between China and the EU stems from a profound contradiction between Europe's insistence on and expansion of its own values and China's vision of diverse paths for development. The EU seeks to eliminate internal political divisions and steer the evolving trajectory of the multipolarity of world powers and diversity of interests using a singular set of values. At the same time, China embraces the diversity of civilizations and development paths in acknowledging and reinforcing the legitimacy of its own rising power and responding to the realities and trends of a multipolar world. China's and the EU's divergent outlooks on the global landscape, order, and development are intertwined with and triggered by dynamic changes in their relative power balance, serving as the root cause of the ongoing fluctuations and eventual barriers in mutual perceptions.

As Europe undergoes a profound transformation in its outlook on the global landscape, order, and development, continuous dialogs and in-depth exchanges are necessary between China and the EU. The two should further unravel the key issues surrounding power shifts, rule restructuring, and order reconstruction on the theoretical and policy

levels, fostering a shared understanding between China and the EU that supports positive interactions in major power relations. The theoretical and policy foundation established by the US for great power competition is a combination of “power politics + rules-based justice + order stability”. This approach distorts China’s commitment to sustainable development and its pursuit of a reformed international order as a challenge to US hegemony and a disruption to international rules and order stability. While Europe may not accept the US logic of hegemonic power politics, it harbors legitimate concerns regarding the concepts of “rules-based justice” and “order stability”. China should establish a discourse logic of “combating hegemony, advocating multipolarity, promoting rules universally applicable and optimized, and advancing order in a stable manner” on both theoretical and policy levels. By providing focused responses to a range of salient issues of shared concern for both China and the EU, such as “power competition and rules of the game”, “counter-hegemony and anti-Americanism”, “strength growth and spheres of influence”, “domestic affairs and external effects”, and “power multipolarity and order norms”, China can cultivate a more constructive image in international public opinion and demonstrate a greater commitment to maintaining cooperation and managing competition in great power relations, particularly in China-EU relations. This would effectively prevent a slide into malicious competition or even confrontation.

More importantly, China and the EU should redouble their efforts to achieve greater knowledge innovation to enhance mutual perceptions. After reflecting on the current “Zeitenwende” and diplomatic predicaments, the EU has identified the need for a renewed worldview and knowledge structure, directly reflected in its policy objective of “getting China right”. Adapting to the evolving global landscape, safeguarding their interests, and securing a more favorable international environment are shared aspirations for China and the EU in the present and foreseeable future. However, their realization depends on the establishment and continual enhancement of mutual perceptions. This requires a renewed examination of the challenges that the changing world order poses to our existing knowledge frameworks and the substantive damage that geopolitical competition inflicts on our ability to engage in effective communication with one another. Europe should cultivate a “China competence” with a comprehensive and objective perception of China, while China should establish a “European competence” with a deep

and historical perception of Europe. This process of competence building and enhancement necessitates an environment of mutual openness, exchange, and forbearance. Fundamental tenets of cognitive psychology emphasize that many erroneous perceptions arise not from incorrect answers but from misguided questions. Two prominent examples of such errors are “believing one understands the other” and “assuming the other should understand oneself”. If either China or Europe were to pursue a path of seclusion, reducing or even refusing to engage in communication in the pursuit of “China/Europe competence”, the outcome would inevitably be a reinforcement and entrenchment of their respective misconceptions and biases, continuously disseminating misguided signals that amplify cognitive deficits. Opening the doors to academic and cultural exchanges is the only rational path for China’s and the EU’s intellectual communities to achieve knowledge innovation and enhance mutual perceptions through sustained and in-depth dialogue. Furthermore, as two major civilizations, it is a shared responsibility of China and the EU to preserve greater hope for the ultimate progress, rather than regression, of human civilization in a world increasingly marked by division and conflict.



# **Economic and Trade Relations and “De-risking” Issues**





# **China-EU Economic and Trade Relations: Between Cooperation and Competition**

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## **1. Current State of China-EU Economic and Trade Relations**

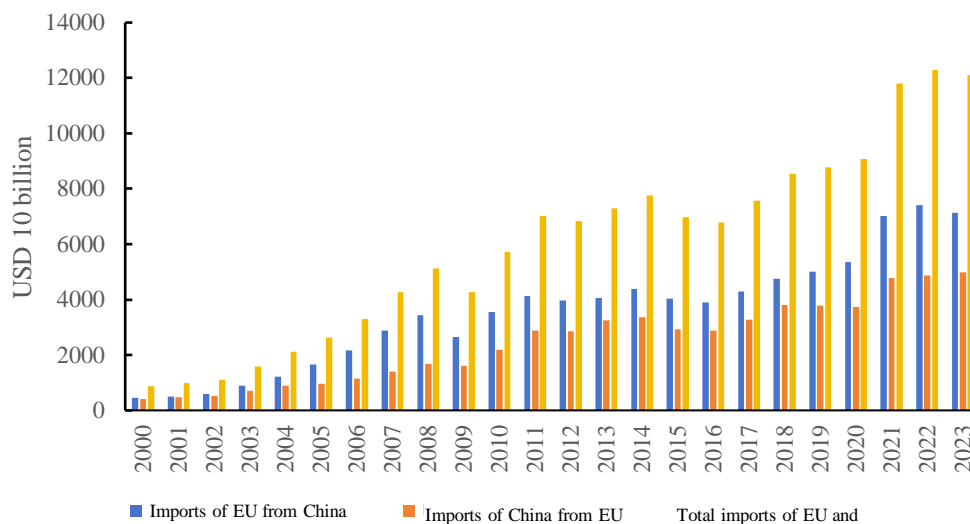
In recent years, the economic, trade, and investment relations between China and the EU have shown intensifying competition with signs of cooling down despite the broader context of cooperative development. The EU and its member states have started shifting their economic and trade policies toward China to focus on “de-risking” and “reducing dependency”. This has led to an increase in trade conflicts, such as disputes over Chinese electric vehicle exports to the EU. Such tensions are attributable to various factors. One encompasses the evolving dynamics of industrial competitiveness of China and the EU, which have caused concern and caution within the EU. Differences in conceptions, ideologies, social and political systems, economic governance models, and stages of development between the two sides have also contributed to ongoing frictions. Other factors include the impact of geopolitical events, such as the Russo-Ukrainian conflict, and the influence of third parties, such as the US. Looking ahead, we remain cautiously optimistic about the future of China-EU economic and trade cooperation, for their deep interdependence in economic and industrial ties is unlikely to make a complete decoupling. Additionally, the EU still holds considerable comparative advantages over China in terms of diverse industries and the economy as a whole. The two sides can engage in a wide range of fields of economic and trade cooperation, particularly in fields such as digitalization, green development, and global economic governance. Against the backdrop of heightened competition influenced by geopolitical factors, China and the EU should insist on finding a common ground while respecting their differences, strengthening economic and trade cooperation, and managing disputes judiciously. The two sides should recalibrate their objectives from pursuing absolute maximization of

their respective interests to seeking mutual compromise through consultation. Even by accepting suboptimal solutions, they can strive for win-win results rather than becoming entrapped in lose-lose scenarios.

## 1.1 Current State of China-EU Economic and Trade Relations

### 1.1.1 Bilateral Trade Turned from Rising to Falling

Data from China’s National Bureau of Statistics shows that in 2023, trade between China and the EU amounted to USD 1,210.5 billion, down 1.5% from 2022. This was the first decline in bilateral trade since 2016, breaking a trend of consistent growth that even continued through the COVID-19 pandemic. The drop in trade is primarily due to a decline in Chinese exports to Europe. In 2023, Chinese exports to Europe totaled USD 712.2 billion, down 3.89% from 2022, marking the most significant decline since 2016 (see Figure 1). Europe recorded a trade deficit of USD 213.933 billion in the year.



**Figure 1 Trade between China and the EU in 2000-2023**

Source: National Bureau of Statistics of China.

At the country level, most EU member states have seen reduced trade with China. Germany, China’s largest trading partner in Europe, experienced a year-on-year decline of around 3.6% in trade with China in 2023. Other countries also with notable declines included Luxembourg (-10.8%), Denmark (-8.6%), the Netherlands (-4.9%), Belgium (-3.8%), and Sweden (-3.0%). However, a few countries saw growth in trade with China,

including Greece (5.2%), France (3.1%), and Portugal (2.3%).

### **1.1.2 Declining Bilateral Investment with Changing Investment Sentiments and Modalities of European Companies in China**

European direct investment in China has seen a slowdown, with a noticeable trend among European companies toward reinvesting their profits. In 2023, actual EU investment in China dropped by 13.6% compared to the previous year.<sup>①</sup> In the manufacturing sector, some small and medium-sized enterprises from the EU have displayed waning investment appetite in China, while large companies like Volkswagen have increased investments. *European Business in China: Business Confidence Survey 2024* found that 13% of surveyed businesses have begun relocating their current investments out of China, with another 12% considering such a move. Although 42% of respondents plan to expand their Chinese operations in 2024, this is the lowest level ever recorded.<sup>②</sup> The investment modalities of European companies in China have undergone subtle changes. While European multinational corporations continue to invest, their approach now increasingly involves reinvesting profits generated from their existing operations in China.

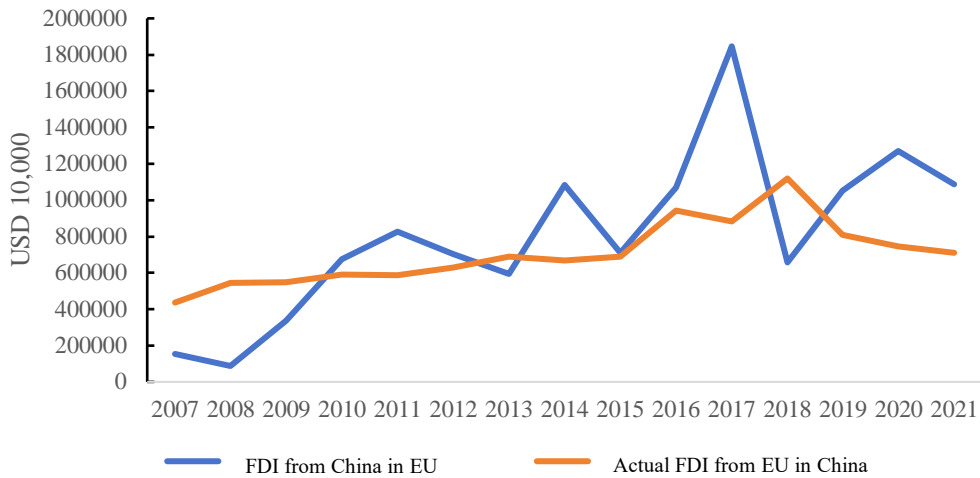
**Chinese direct investment in Europe has also declined in recent years.** In 2022, total Chinese investment in Europe fell sharply, dropping by 22% compared to 2021 (see Figure 2), reaching its lowest level in a decade. The investment modalities have shifted away from a previous focus on mergers and acquisitions. Since 2020, Chinese investors have increasingly favored greenfield investments in Europe while reducing mergers and acquisitions. Among the investors, private enterprises are playing a larger role, while the share of state-owned enterprises has relatively decreased. Notable investments by Chinese private enterprises include ByteDance’s USD 810 million investment in Norway in February 2023 and Tencent’s USD 1.15 billion investment in the UK’s Sumo in December 2022.<sup>③</sup>

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<sup>①</sup> Ministry of Commerce of the People’s Republic of China, *Investment in China Bulletin 2024*, September 14, 2024, [https://wzs.mofcom.gov.cn/cms\\_files/filemanager/195082220/attach/20249/1534906939894198bbb5b6b86a752466.pdf?fileName=%E4%B8%AD%E5%9B%BD%E5%A4%96%E8%B5%84%E7%BB%9F%E8%AE%A1%E5%85%AC%E6%8A%A52024.pdf](https://wzs.mofcom.gov.cn/cms_files/filemanager/195082220/attach/20249/1534906939894198bbb5b6b86a752466.pdf?fileName=%E4%B8%AD%E5%9B%BD%E5%A4%96%E8%B5%84%E7%BB%9F%E8%AE%A1%E5%85%AC%E6%8A%A52024.pdf).

<sup>②</sup> Arendse Huld, “EU Chamber Business Confidence Survey: Key Findings and Takeaways”, China Briefing, May 21, 2024, <https://www.china-briefing.com/news/eu-chamber-business-confidence-in-china-survey>.

<sup>③</sup> Pan Yuanyuan, “Advantages of China’s Investment in Developed Economies from the Perspective



**Figure 2 Bilateral Investments between China and the EU in 2007-2021**

Source: National Bureau of Statistics of China.

## 1.2 The EU’s Economic and Trade Policies Towards China: to “De-risk” and to “Reduce Dependency”

A few EU member states had already begun implementing restrictive measures against Chinese telecommunications equipment providers, notably Huawei and ZTE even before the European Union formally introduced the concept and policy objectives of “de-risking”. The EU has adopted a “de-risking” strategy toward China to reduce its dependency on China. European Commission President Ursula von der Leyen introduced this approach at the EU level by first outlining the concept in January 2023, stating that the EU was for de-risking, not decoupling. The idea was ultimately included in the *G7 Hiroshima Leaders’ Communiqué* and quickly gained momentum among Western political leaders in several months. In June 2023, the EU unveiled the *European Economic Security Strategy*, which is seen as a key tool and example of the “de-risking” approach. This document also represents the EU’s first comprehensive strategic framework for understanding, assessing, and protecting economic security. The document defines the scope of risk, identifies a three-pronged approach for ensuring economic security, and lays out 11 new actions that cover areas like research, exports,

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of Europe”, *Tsinghua Financial Review*, No. 5, 2024, pp. 110-112.

investments, and diplomacy. Among EU member states, Germany's Ministry of Economics released the *Federal Government Strategy on China* in 2023, which explicitly prioritizes “de-risking” and “reducing dependency”.<sup>①</sup> This strategy highlights the “specific connection” between economic and security concerns, advocating the reduction of critical dependencies in strategic sectors and prevent new dependencies from arising. Notably, some European businesses have started integrating "de-risking" into their investment strategies in China. They are shifting from a model "in China for global" to a model "in China for China". Previously, European investors had viewed their production facilities in China as a node within their global supply chains. Now, they have begun establishing more industry and supply chain bases that cater specifically to the Chinese market's domestic demand. Through additional investments, they try to achieve “localization”, gradually transforming their prior global industrial chain investment layouts and strategies. At the same time, many European companies are adopting a “China + 1” strategy by setting up alternative production bases outside China. Of course, large European multinationals often have different investment strategies from those of smaller companies from corporate perspectives, and their priorities and concerns also vary from those of EU institutions and member-state governments.

The EU's efforts to “de-risk” its relationship with China and “reduce dependency” on China, especially in high-tech industries and raw materials, show a clear tendency toward “decoupling” in practice. Faced with China's technological progress and industrial upgrades and driven by shifting geopolitical dynamics, the EU has developed heightened "security" concerns and intense competitive anxieties. Fears of "technology leakage" and losing its competitive edge in high-tech sectors have led the EU to implement various restrictions and protective measures on economic and trade activities involving high-tech fields in connection with China. In high-tech sectors, particularly 5G communications, the European Union issued the “Toolbox for 5G security” document in January 2020, introducing the concept of “high-risk suppliers” (effectively, a blacklist), ostensibly aimed at “enhancing network security”. The European Commission designated Huawei and ZTE, two major Chinese telecom companies, as “high-risk suppliers” in June 2023,

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<sup>①</sup> Yuchen Li and Wesley Rahn, “Germany’s New China Strategy: What Beijing Thinks”, *Deutsche Welle*, July 14, 2023, <https://www.dw.com/en/germanys-new-china-strategy-what-beijing-thinks/a-66236415>.

urging EU member states to refrain from using equipment from these two Chinese enterprises. This move was seen as part of a broader campaign to suppress the rise of prominent Chinese tech firms. In October 2023, the EU introduced a risk list covering four critical technologies: advanced semiconductors, artificial intelligence, quantum computing, and biotechnology. Chinese investments in these fields will now be subject to rigorous scrutiny. In September 2024, *The Future of European Competitiveness* by Mario Draghi introduced the concept of “trusted vendors” (a whitelist), further emphasizing the preference of EU vendors in telecommunications procurement. These measures, potentially leading to the exclusion of suppliers from specific countries, reveal a strong undertone of political bias and discrimination.

Additionally, the EU is coordinating with the US through the Trade and Technology Council (TTC) to align “de-risking” policies on China, aiming to safeguard their technological leadership and preempt Chinese tech firms from competing and emerging. In high-tech sectors (telecommunications, for example), the EU’s two-pronged approach is steering it toward decoupling from China in the 6G industrial and standardization landscape. Firstly, the US and Europe are jointly enlisting like-minded nations such as Japan, Republic of Korea, Singapore, and India to forge 6G cooperation agreements in the names of Digital Partnerships or TTC to exclude innovation and cooperation from China. Secondly, the EU is embedding discriminatory rules in its 6G projects, such as labeling high-risk suppliers based on their country of origin as, aiming to preclude Chinese companies from participating in EU-funded 6G projects, such as the Smart Networks and Services Joint Undertaking (SNS-JU) under the Horizon Europe program. In the realm of critical raw materials, the EU has expressed a strong desire to reduce its reliance on a few countries for these resources. In March 2024, the EU approved the *Critical Raw Materials Act*, establishing lists of critical raw materials (34 items) and strategic raw materials (17 items). With China supplying 98% of the EU's rare earths, 93% of its Magnesium, and 97% of its Lithium, the EU has proposed a strategy to reduce its dependency on China for these critical materials. The European Commission has also announced plans to promote the wind energy sector, seeking to achieve “clean products manufactured in Europe” to reduce dependence on Chinese clean technology.

Although the EU only formally introduced its “de-risking” strategy toward China last year, a gradual shift toward more conservative economic policies has unfolded within the



community over recent years. While promoting “open strategic autonomy” in the economic realm, the EU has also prioritized “securitizing” economic activities and strengthening self-protection. Since 2016, the EU has frequently enacted policies related to high-tech sectors, industrial growth, and trade protectionism (see Table 1). These policies include 5G network security measures, the *Chips Act*, and other initiatives addressing high-tech competition. The EU has also introduced policies aimed at industrial and supply chain security, such as *A New Industrial Strategy for Europe*, *The Green Deal Industrial Plan*, the new *Batteries Regulation*, the *Resilient Supply Chains Plan*, and the *European Economic Security Package*. Additionally, it has implemented various trade, investment, and regulatory tools, including rules for dual-use goods, due diligence, the Carbon Border Adjustment Mechanism, the International Procurement Instrument, *Foreign Subsidies Regulation*, and the Anti-Coercion Instrument. As time passes, the trend of heightened competition and preventive measures has been steadily intensifying, driving up the costs of bilateral economic and trade interactions. These policies have intensified competition and even created a sense of antagonism, causing significant challenges and affecting the smooth functioning and sustainable development of China-EU economic cooperation.

**Table 1 EU Trade, Industry, and Policy Tools since 2016**

Time	Policy Document/Instrument	Description
2016-2019	Toolbox for 5G security	Sharing information on 5G security risks and developing mitigating measures; allowing member states to make independent decisions on whether to prohibit certain companies from participating in 5G development based on national security considerations by leveraging existing regulations and cross-border collaborations
2016-2021	Export control toolbox	Establishing an EU-level regulatory framework governing the export, agency, technical assistance, transit, and transfer of dual-use goods
2019	Proposal for Corporate Sustainability Due Diligence Directive	Requiring EU-based companies or companies operating within the EU to comply with due diligence obligations in their operations regarding environmental and human rights matters
2020	Framework for investment screening	Imposing rigorous scrutiny on commercial activities involving national security, public order, dual-use technologies, and critical infrastructure
2021	Carbon Border Adjustment	Requiring importers of specific products from outside the EU to acquire CBAM certificates within the EU and

	Mechanism	pay for their own carbon emissions
2021	A New Industrial Strategy for Europe	Establishing three priorities to achieve a globally competitive and world-leading industry, paving the way to climate neutrality, and shaping Europe's digital future
2021	Resilient Supply Chains Plan	Addressing external dependencies in six key areas: raw materials, active pharmaceutical ingredients, lithium batteries, hydrogen, semiconductors, cloud computing, and edge computing
2021	Proposal for Foreign Subsidies Regulation	Mandating reporting in mergers and acquisitions when the target company exceeds established thresholds. The European Commission may, at its discretion, conduct investigations into cases below the reporting threshold. Foreign subsidies exceeding EUR 5 million will be deemed to distort the internal market
2021	Anti-Coercion Instrument	Counteracting efforts by countries to restrict or threaten trade or investment in order to compel changes in EU policies on issues such as climate change, taxation, or food security
2021	Indo-Pacific Strategy	Strengthening cooperation with regional (national) partners in the areas of sustainable and inclusive prosperity, green transition, maritime governance and partnerships, connectivity, security and defense, and human security
2021	Global Gateway strategy	Enhancing partnerships in areas such as digital transformation, clean energy, transport, people-to-people exchanges, and trade and supply chain resilience to protect European interests and global competitiveness, promote sustainable environmental standards, and advocate values such as democracy, human rights, and the rule of law
2022	International Procurement Instrument	Excluding third-party bidders from countries that do not open their domestic public procurement markets from bidding on EU public contracts
2023	The Green Deal Industrial Plan	Enhancing the competitiveness of European net-zero industries by promoting four pillars: predictable and simplified regulatory environment, faster access to funding, enhancing skills, and open trade for resilient supply chains, to prevent the relocation of net-zero industrial value chains out of Europe
2023	New Batteries Regulation	Establishing stricter sustainability and recycling requirements for battery products to ensure the sustainability and competitiveness of the EU's battery value chain
2023	Chips Act	Promoting the industrial development of Europe's semiconductor sector to enhance the global competitiveness of semiconductors from the EU

2024	European Economic Security Package	Expanding the EU’s concept of “economic security” by addressing five key areas: foreign investment screening, export controls, outbound investment screening, research and development of potential dual-use technologies, and research security
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Source: Ding Chun and Zhang Mingxin, “The EU’s External Economic Dependence and ‘Open Strategic Autonomy’”.<sup>①</sup>

### 1.3 Trade Friction

Economic and trade rivalry and competition between China and the EU have intensified in recent years, along with shifting geopolitical dynamics, leading to a rise in trade tensions between the two sides. Besides the EU’s persistent criticism of China’s substantial trade surplus, escalating trade and industrial disputes between China and the EU are epitomized by conflicts in the telecommunications and new energy vehicle sectors. Against the backdrop of the EU enacting relevant directives and regulations to impose continuous restrictions and exclusionary measures on Chinese telecommunications equipment companies, the survival and development of Chinese companies such as Huawei in Europe’s 5G sector have become a critical point of contention in China-EU economic relations. On June 15, 2023, the European Commission released the second communication document presenting the progress report on the implementation of the 5G toolbox by member states, explicitly classified Huawei and ZTE as high-risk suppliers, urging member states to exclude these Chinese companies. This stance was further reinforced in the EU’s economic security strategy and the white paper informing legislation for the Digital Networks Act. By September 2024, thirteen EU member states had implemented restrictive measures against so-called “high-risk suppliers” due to the direct intervention and indirect influence by the EU. Countries like Sweden and Belgium have incorporated discriminatory clauses related to “political and ecological concerns of the country of origin” into their legislation and spectrum auctions, effectively barring Huawei and other Chinese companies from supplying 5G equipment in their 5G rollouts. The establishment of such trade barriers under the pretext of network security constitutes a manifest violation of the WTO’s free trade principle.

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<sup>①</sup> Ding Chun and Zhang Mingxin, “The EU’s External Economic Dependence and ‘Open Strategic Autonomy’”, *Fudan Journal (Social Sciences Edition)*, No. 1, 2024, pp. 166-181.

China has consequently raised trade concerns with the WTO to safeguard the legitimate interests of Chinese companies in the European market. The challenges and unjust treatment faced by Chinese telecommunications equipment companies in Europe, driven by non-technical and non-market factors, have severely impacted their normal operations and healthy development and restricted opportunities for them to access the market in the EU. While stifling fair market competition, these measures have also undermined the innovation momentum within Europe's telecommunications sector. Europe's excessive reliance on domestic suppliers may exacerbate the fragility of its supply chains, compromise the integrity and diversity of network security, and ultimately force consumers to bear higher costs for products and services with limited choices.

In October 2023, the EU launched an anti-subsidy investigation into electric vehicle imports from China. In February 2024, the EU initiated a similar probe into CRRC Qingdao Sifang Co., Ltd., a subsidiary of CRRC Corporation, forcing the company to withdraw from bidding for a Bulgarian train contract.<sup>①</sup> In March 2024, the European Commission launched another anti-subsidy investigation into mobile access equipment from China.<sup>②</sup> In April 2024, the EU announced an investigation into Chinese wind turbine suppliers seeking orders in five EU countries under the *Foreign Subsidies Regulation* (FSR).<sup>③</sup> A more recent example is the high-profile trade dispute over new energy vehicles between China and the EU. The contrasting trends in the Chinese and European automotive markets provide a broader context for the new energy vehicle dispute. China's share of global automotive sales has risen steadily from 25% in 2010 to 33% in 2023, driven by its comparative advantage in electric vehicles. Meanwhile, the EU market's share has dropped from 24% to 11%, causing it to fall from the world's second-largest automotive market to the fourth. Chinese new energy vehicles have been rapidly gaining market share in the EU. According to the European Commission, the

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<sup>①</sup> European Commission, "Commission Opens First In-depth Investigation Under the Foreign Subsidies Regulation", February 16, 2024, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_24\\_887](https://ec.europa.eu/commission/presscorner/detail/en/ip_24_887).

<sup>②</sup> Official Journal of the European Union, "Notice of Initiation of an Anti-subsidy Proceeding Concerning Imports of Mobile Access Equipment ('MAE'), Originating in the People's Republic of China", March 27, 2024, [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C\\_202402362](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202402362).

<sup>③</sup> Wind Europe, "EU Starts Investigation into Chinese Wind Turbines Under New Foreign Subsidies Regulation", April 9, 2024, <https://windeurope.org/newsroom/press-releases/eu-starts-investigation-into-chinese-wind-turbines-under-new-foreign-subsidies-regulation/>.

share of Chinese electric vehicle brands in the European market increased from 4% in 2021 to 8% in 2023, with projections suggesting this could rise to 15% by 2025. Notably, EU imports of electric vehicles from China continued to grow significantly between October 2023 and January 2024 during the EU launched its anti-subsidy investigation, with a 14% year-on-year increase. Consequently, the EU initiated an anti-subsidy investigation into Chinese battery electric vehicles (BEVs) exported to the EU. This was driven by an apprehension that the EU's automotive industry could potentially lose competitive ground to China, coupled with anxiety over job losses and declining economic value-added in the domestic automotive sector. The investigation is predicated on allegations of China's subsidization of electric vehicles, market distortion, and dumping of excess production capacity. European Commission President Ursula von der Leyen announced launching the anti-subsidy investigation into Chinese electric vehicles during her "State of the Union" address on September 13, 2023. This led to a formal case initiation, selecting Chinese automakers BYD, SAIC Motor, and Geely Automobile for phased sampling and investigations. The European Commission's report on significant distortions in China's economy, released on April 10, 2024, specifically highlighted China's new energy vehicle and battery industries. As a provisional measure effective in July 2024, the EU imposed temporary anti-subsidy duties on Chinese electric vehicles for four months, ranging from 17.4% to 38.1%, on top of the existing 10% tariff. On August 20 and September 9, 2024, the European Commission issued two statements regarding the final ruling in the anti-subsidy case, confirming the continuation of these high tariff rates. On September 12, a European Commission spokesperson announced that the EU would reject China's proposed solutions. They claim that the price commitment proposals submitted by the CCCME, along with all electric vehicle manufacturers, "did not meet" the EU's requirements for addressing pricing issues of electric vehicles. On September 16, the European Commission's trade spokesperson indicated that the EU would no longer consider new export price commitment proposals from Chinese electric vehicle companies, as they had missed the deadline for submission. On October 4, the European Council finally voted to approve imposing anti-subsidy duties on Chinese electric vehicles imported into the EU. However, the EU had previously included provisions allowing the European Commission to continue negotiations with China after the vote. On October 29, the European Commission issued

a final statement concluding the anti-subsidy investigation. The EU decided to impose definitive anti-subsidy duties on BEVs imported from China for five years, with rates varying by company: BYD (17.0%), Geely (18.8%), SAIC (35.3%), other cooperating companies (20.7%), and other non-cooperating companies (35.3%). Currently, discussions between the technical teams from the EU and China are still underway.

## 2. Causes of Current China-EU Economic and Trade Relations

The current tension in China-EU economic and trade relations is not a recent development. It reflects a series of underlying factors that have gradually shaped the landscape since 2019, when the Juncker Commission outlined the EU's three-pronged approach to China by viewing China as a partner for cooperation, an economic competitor, and a systemic rival.<sup>①</sup> The EU has started “de-risking” and “reducing dependency” regarding China, along with the cooling trends in bilateral economic cooperation, trade, and investment.

Firstly, the evolving dynamics of China’s and the EU’s industrial competitiveness have triggered a sense of unease and anxiety in the EU.

The EU's concerns and anxieties over China’s rapid development and growing industrial competitiveness, sometimes with misjudgments and misperceptions, are primarily rooted in a mix of internal challenges and external pressures the EU faces, as well as a gap between China’s industrial upgrades and economic growth and its expectations for China.<sup>②</sup> We have constructed and applied the revealed symmetric comparative advantage (RSCA) index to measure and illuminate the evolving dynamics of China's and the EU's industrial competitiveness.<sup>③</sup> From a dynamic perspective reflecting China's

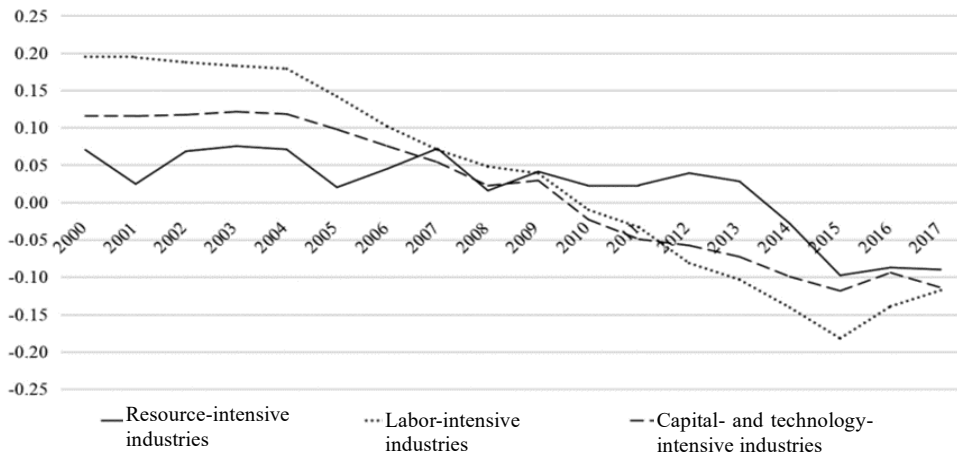
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<sup>①</sup> European Union External Action, “EU-China Strategic Outlook: Commission Contribution to the European Council (21-22 March 2019)”, March 12, 2019, [https://www.eeas.europa.eu/node/59758\\_en](https://www.eeas.europa.eu/node/59758_en).

<sup>②</sup> Zhou Hong, “The Belt and Road” and China-EU relations”, *Journal of Nankai University (Philosophy and Social Sciences Edition)*, No. 3, 2017, pp. 14-19.

<sup>③</sup> The revealed symmetric comparative advantage (RSCA) index is calculated as follows: First, define the revealed comparative advantage (RCA) index:  $RCA = \frac{X_{ij}/X_j}{X_{iw}/X_w}$ , where  $X_{ij}$  represents the exports of country  $j$ 's industry  $i$ ,  $X_j$  represents country  $j$ 's total exports,  $X_{iw}$  represents the exports of industry  $i$ , and  $X_w$  represents global total exports. Generally,  $i$  is selected according to Standard International Trade Classification (SITC). RCA values range from 0 to 1. A value of  $RCA > 1$  indicates a comparative advantage for the country in that industry, while an  $RCA < 1$  indicates a comparative disadvantage. Based on RCA, RSCA is calculated as follows:  $RSCA = \frac{RCA_{ij}-1}{RCA_{ij}+1}$ . In contrast to the RCA index, RSCA values range from -1 to 1. A value within the range of (0, 1) suggests that country  $j$ 's industry  $i$  holds a comparative advantage

catch-up process, the industrial gap between China and the EU is quickly narrowing across various sectors, including resource-intensive, labor-intensive, as well as capital- and technology-intensive industries. As a result, China's industrial competitive disadvantage relative to the EU is decreasing, with certain sectors even showing instances of catching up or surpassing the EU, thereby achieving competitive edges (see Figure 3). Among these sectors, the gap in labor-intensive industries is closing most rapidly, followed by capital- and technology-intensive industries. This pattern remains consistent when examining the cases with individual EU member states, specifically by comparing China with the five countries holding the largest industrial output within the EU. China-EU trade previously exhibited a mutually complementary pattern of “inter-industry trade”, where China supplied raw materials and labor-intensive primary industrial products, while the EU provided capital- and technology-intensive industrial products. Trade pattern has evolved to typical “intra-industry trade”, where both sides now import and export similar manufactured goods, such as transportation equipment and machinery.



**Figure 3 Involving Gaps between China and the EU in Some Industries**

Source: Ding Chun and Qiang Haofan, “Analysis of the Changes in the Industrial Gap between China and Europe and Economic Causes: Based on the Perspective of International Industrial Competition”.<sup>①</sup>

in the international market with a specialization level exceeding the contemporaneous world average, indicating strong international competitiveness. A value within the range of (-1, 0) suggests that country  $j$ 's industry  $i$  has weak international competitiveness. Therefore, the RSCA addresses the deficiencies of the RCA in terms of skew and asymmetry.

<sup>①</sup> Ding Chun and Qiang Haofan, “Analysis of the Changes in the Industrial Gap between China and Europe and Economic Causes: Based on the Perspective of International Industrial Competition” [J].

A static snapshot of China’s catching-up progress in 2019 reveals that China has attained significant competitiveness in key manufacturing segments like telecommunications, instrumentation equipment, electrical equipment, and industrial machinery (see Table 2). In contrast, the EU’s competitiveness is primarily concentrated in pharmaceuticals and specialized instruments, while other categories of manufactured goods do not exhibit a solid competitive advantage. Specifically, China demonstrates a marked competitive advantage in labor-intensive products, followed by certain capital- and technology-intensive products, while the EU retains a strong competitive advantage in resource-intensive products. The average RSCA for China’s top ten competitive industries is 0.42, while the EU’s average is 0.35. It is worth noting that China has 17 industries with strong international competitiveness ( $RSCA > 0$ ), while the EU has 40. Furthermore, the levels of competitiveness of different industries in China vary considerably, with sharp declines in RSCA values from the most competitive to the least competitive industries. The competitiveness of industries in the EU shows less variation, indicating a more robust and balanced industrial ecosystem within the community.<sup>①</sup>

**Table 2 Top Ten RSCA Export Goods of China and the EU in 2019**

China			EU		
SITC code	Products	RSCA index	SITC code	Products	RSCA index
81	Prefabricated buildings; sanitary plumbing, heating and lighting fixtures and fittings	0.57	21	Hides, skins and furskins, raw	0.54
65	Textile yarn, fabrics, made-up articles, and related products	0.48	54	Medicinal and pharmaceutical products	0.47
83	Travel goods, handbags and similar containers	0.46	11	Beverages	0.45
76	Telecommunications and sound-recording and reproducing apparatus and equipment	0.46	79	Other transport equipment	0.41
75	Office machines and automatic data-processing machines	0.43	71	Power-generating machinery and equipment	0.34
85	Footwear	0.43	73	Metalworking machinery	0.29
82	Furniture and parts thereof; bedding,	0.42	72	Machinery specialized for particular industries	0.28

*Fudan Journal (Social Sciences Edition)*, No. 4, 2020, pp. 159-173.

<sup>①</sup> Ding Chun and Qiang Haofan, “Analysis of the Changes in the Industrial Gap between China and Europe and Economic Causes: Based on the Perspective of International Industrial Competition”, *Fudan Journal (Social Sciences Edition)*, No. 4, 2020, pp.159-173.



	mattresses, mattress supports, cushions and similar stuffed furnishings				
84	Articles of apparel and clothing accessories	0.41	83	Travel goods, handbags and similar containers	0.25
89	Miscellaneous manufactured articles	0.29	55	Essential oils and resinoids and perfume materials; toilet polishing and cleaning preparations	0.25
69	Manufactures of metals	0.28	96	Coin (other than gold coin), non-legal tender	0.25

Source: Ding Chun and Qiang Haofan, “Analysis of the Changes in the Industrial Gap between China and Europe and Economic Causes: Based on the Perspective of International Industrial Competition”.

China’s steady progress in closing the gap with developed economies like the US and the EU has heightened concerns within the EU, particularly in key member states such as Germany and France. These traditional European manufacturing powers have introduced industrial policies aimed at revitalizing their manufacturing sector and driving technological innovation. The COVID-19 pandemic and the Russo-Ukrainian conflict have further intensified the EU’s emphasis on supply chain integrity and security, placing the manufacturing sector squarely in focus to take defense measures or containment strategies regarding China. China’s manufacturing sector has made continuous advancements, moving gradually toward a post-industrial phase and narrowing the gap with developed economies like the US, EU, and Japan. It still faces challenges in structural optimization and desires further enhancement within global value chains. Additionally, China's labor cost advantage in the global market is waning. Transitioning from a manufacturing powerhouse to a true manufacturing superpower and surpassing the EU in an all-around way will take time.<sup>①</sup>

The electric vehicle industry serves as a prominent example of China’s manufacturing sector catching up and surpassing the EU, reflecting the upgrading and development of China’s manufacturing sector in recent years. Unlike the well-established fossil fuel vehicle market where European automakers hold a monopolistic advantage, new energy

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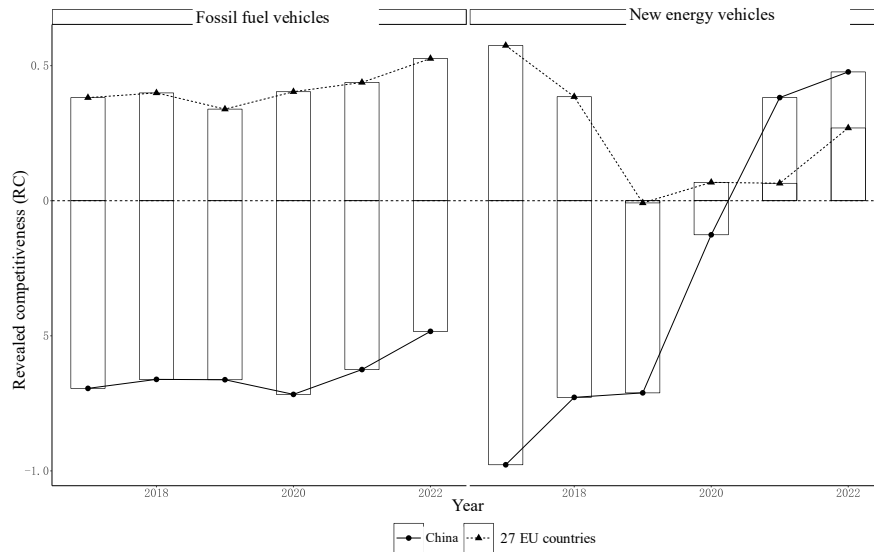
<sup>①</sup> Ding Chun and Chen Tengan, “Competition in Manufacturing between China, the United States, and Europe: Current State, Policy Responses, and Prospects” [J]. *China Journal of European Studies*, No. 5, 2021, pp. 6-35.

vehicles are in their nascent stage globally in terms of technological accumulation and market expansion, where China has achieved a “lane changing and overtaking”. We employ the revealed competitive advantage (RC) index to estimate the comparative competitiveness of China and the EU in the electric vehicle sector over time.<sup>①</sup> The competitive landscape of the Chinese and European new energy vehicle industries from 2017 to 2022 reveals three significant shifts: First, the EU's competitive advantage in the new energy vehicle sector is gradually diminishing. Its RC declined from 0.574 to 0.269. Second, China's international competitiveness in the new energy vehicle market is steadily rising, with its RC increasing from -0.977 to 0.477. By 2021, China's electric vehicles had already demonstrated competitive edges in the global marketplace. Thirdly, the competitive gap between China and the EU in electric vehicles has narrowed significantly, from -1.551 in 2017 to -0.194 in 2020. In 2021 and 2022, a competitive reversal occurred, with China's new energy vehicle industry surpassing the EU in competitiveness for two consecutive years (see Figure 4). However, EU automakers maintain a distinct competitive advantage over China in traditional fossil fuel vehicles.<sup>②</sup>

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<sup>①</sup> The revealed competitive advantage (RC) index is calculated as follows: First, calculate the revealed comparative advantage (RCA) index of exports:  $BX_{ikt} = \frac{X_{ikt}/X_{iKt}}{X_{jkt}/X_{JKt}}$ , where  $X_{ikt}$  represents the exports of country  $i$ 's product  $k$  in year  $t$ ,  $X_{iKt}$  represents country  $i$ 's total exports in year  $t$ ,  $X_{jkt}$  represents the exports of all countries' product  $k$  in  $t$ , and  $X_{JKt}$  represents the total exports of all countries in  $t$ . Second, calculate the revealed comparative disadvantage index of imports:  $BM_{ikt} = \frac{M_{ikt}/M_{iKt}}{M_{jkt}/M_{JKt}}$ , where  $M_{ikt}$  represents the imports of country  $i$ 's product  $k$  in year  $t$ , and other variables have the meanings as in the RCA of exports. Third, the RC is obtained:  $RC_{ikt} = \frac{BX_{ikt}-1}{BX_{ikt}+1} - \frac{BM_{ikt}-1}{BM_{ikt}+1}$  with the value of  $RC_{ikt}$  ranging from -2 to 2.  $RC_{ikt} > 0$  indicates a competitive advantage for country  $i$ 's industry  $k$  in the global market in  $t$ , with values closer to 2 signifying a stronger advantage.  $RC_{ikt} < 0$  indicates a competitive disadvantage, with values closer to -2 indicating a greater disadvantage.

<sup>②</sup> Ding Chun, Zhang Mingxin, and Sun Lu, “China-EU Dispute over New Energy Vehicle Industry: Current State, Causes, and Prospects”, *China Journal of European Studies*, No. 2, 2024, pp 36-62.



**Figure 4 Comparative Competitiveness of China and the EU in Fossil Fuel and New Energy Vehicle Sectors over Time**

Source: Ding Chun, Zhang Mingxin, and Sun Lu, “China-EU Dispute over New Energy Vehicle Industry: Current State, Causes, and Prospects”.

In response to EU accusations of China “distorting the market” with subsidies for electric vehicles, the China Chamber of Commerce to the EU (CCCEU) released *Greening Europe: Report on the Development of Chinese NEV Manufacturers in Europe*, which highlighted the EU's own subsidies for new energy vehicles. The CCCEU emphasized that such industry subsidy policies actually originated in the US and EU and are commonly employed globally to support the rapid development of industries in their early stages.<sup>①</sup> The EU itself has been actively promoting the development of new energy vehicles, particularly in countries like Germany and France. Furthermore, China’s subsidy policy for new energy vehicles officially ended on December 31, 2022 according to the *Circular on the Government Subsidy Policies for the Promotion and Application of New Energy Vehicles in 2022*.

Our findings indicate that China’s comparative advantage in the electric vehicle industry stems from four primary factors: core technology and industry chain development,

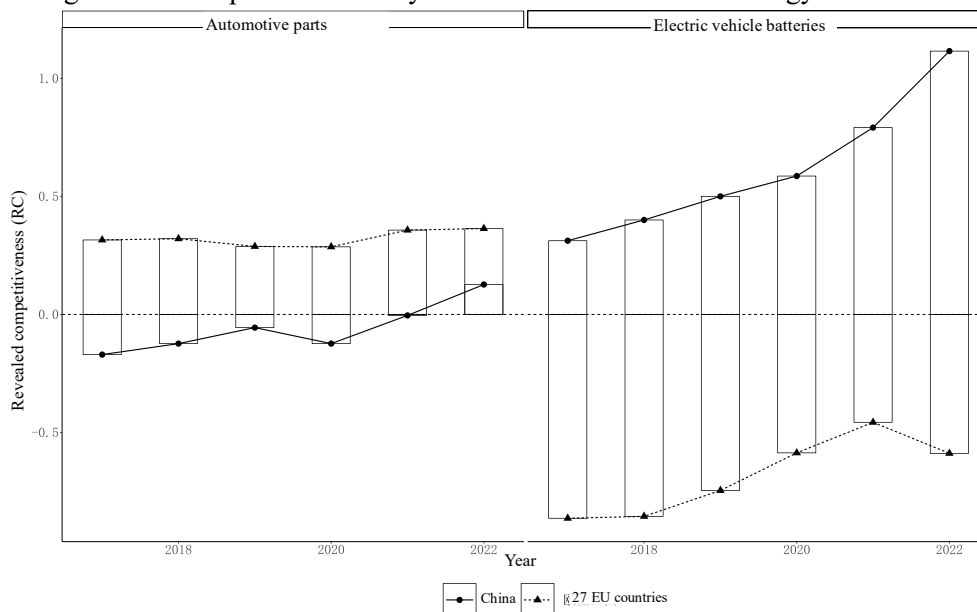
<sup>①</sup> China Chamber of Commerce to the EU, *Greening Europe -- Report on the Development of Chinese NEV Manufacturers in Europe*, June 20, 2024, [http://www.ccecu.eu/2024-06/20/c\\_4335.htm](http://www.ccecu.eu/2024-06/20/c_4335.htm).

infrastructure construction, economies of scale, and brand-building capabilities, which are likely the key drivers of the shifting competitive dynamics of the Chinese and European new energy vehicle industries. **Firstly, key technologies are being developed quickly in China's industrial chain of new energy vehicles.** Chinese new energy vehicle companies have made substantial investments in technological innovation and focused on building stable, independent industry chains. Through years of research and development and technological advancement, they have gained mastery over critical technologies for positive engineering and established a competitive advantage in key areas of the industrial chain of new energy vehicles. In contrast, the development of critical technologies by the European automotive industry in the industrial chain of new energy vehicles has fallen behind, with the most significant competitive gap lying in power batteries (see Figure 5).<sup>①</sup> Secondly, there is a notable gap between China and the EU in the development of new energy infrastructure. China's new energy infrastructure has developed rapidly with coordinated integration. As it is indispensably supporting facilities for the expansion of the new energy vehicle market, China's promotion of charging infrastructure and accelerated development of the photovoltaic storage industry have provided robust support for the rapid growth of the new energy vehicle industry. In contrast, Europe's development of charging infrastructure has struggled to keep pace with the rising demand from new energy vehicle adoption. In 2021, the ratio of public charging stations to electric vehicles in Europe was less than one-fifth of that in China, with significant disparities across EU member states in terms of charging station distribution. Thirdly, China has achieved notable economies of scale in new energy vehicle production and demand by leveraging its massive market potential. For several consecutive years, China has become the world's largest market for new energy vehicles, effectively reducing production costs. In contrast, the EU's production and sales of new energy vehicles have not attained the same scale as in China. Fourthly, there is a noticeable gap in the brand-building efforts between China and the EU in the new energy vehicle sector. Chinese new energy vehicle brands are constantly innovating in front-end design, research, and development, accelerating the global iteration of new energy vehicle

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<sup>①</sup> “Focus: Europe Leans on Asia for ‘Homegrown’ EV Batteries”, Reuters, November 3, 2022, <https://www.reuters.com/technology/europe-leans-asia-homegrown-ev-batteries-2022-11-03/>.

products. Simultaneously, they are actively establishing service and research and development networks within the EU. Established European automotive companies' transition to new energy models has been relatively sluggish. Their new energy vehicle offerings lack the impact and novelty found in the Chinese new energy vehicle market.



**Figure 5 Comparative Competitiveness of China and the EU in Automotive Parts and Electric Vehicle Batteries over Time**

Source: Ding Chun, Zhang Mingxin, and Sun Lu, “China-EU Dispute over New Energy Vehicle Industry: Current State, Causes, and Prospects”.

Secondly, the divergences between China and the EU in ideologies, values, and institutions have become increasingly pronounced. Significant gaps remain between China and the EU in areas such as values, ideologies, social governance systems, economic development stages, and development philosophies and models. These differences were less noticeable when China fell far behind the EU in terms of economic development. They have become more evident in recent years as China's economic power has grown and its competition with the EU has intensified. Disagreements between the two sides over issues like human rights, Xinjiang, Xizang, Hong Kong, Taiwan, and the South China Sea have also escalated, further straining China-EU economic and trade

relations and impeding their cooperation.<sup>①</sup> In recent years, the EU has increasingly framed China's development model, goals, and associated policies and practices through the lens of ideological differences and geopolitical rivalry, leading to growing concerns and strategic misjudgments. The EU's approach reflects a deepening divergence from China on key conceptions, perceptions, and systems, as evidenced in words and actions from the 2006 call for China to be a "responsible stakeholder" in a document on China to Ursula von der Leyen's statement at the third European China Conference that "China pursues a global order that is Sino-centric and hierarchical. It pushes an agenda that downplays universal rules", and the 2021 European Parliament sanctions over alleged human rights abuses in Xinjiang,<sup>②</sup> followed by the suspension of the review of the *EU-China Comprehensive Agreement on Investment (CAI)*. Such differences are also evident in the contrasting ways the EU and China interpret the root causes of trade imbalances and trade disputes. They also exist in the EU's perceptions of China's Belt and Road Initiative and its hedging strategies, such as the "EU-Asia Connectivity" strategy and the "Global Gateway" initiative. As a result, these differences have eroded strategic trust and mutual understanding, creating a less conducive atmosphere for cooperation. They have also directly impacted decision-making, intensifying competition and friction and ultimately hindering bilateral economic exchanges.

Thirdly, geopolitical events like the COVID-19 pandemic and the Russo-Ukrainian conflict have disrupted EU supply chains, prompting the EU to prioritize economic security and reduce dependency. As a result, the EU's preventive measures have become more institutionalized and systematic. The COVID-19 pandemic revealed the EU's heavy dependence on a few economies, including China, for critical raw materials, intermediate goods, and key industrial production, as well as temporary shutdowns and disruptions in industrial chains and supply chains, raising concerns about the security and resilience of the EU's supply chains. Later, the energy crisis triggered by the Russo-Ukrainian conflict in 2022 pushed inflation to new highs across EU member states, has been threatening livelihoods, encouraging businesses to relocate, reducing investment,

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<sup>①</sup> Zhou Hong, "60 Years of China-Europe Relations", *China Journal of European Studies*, No. 5, 2009, pp. 34-51.

<sup>②</sup> European Commission, "EU-China Comprehensive Agreement on Investment", December 30, 2020, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china/eu-china-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china/eu-china-agreement_en).

and stifling growth. These events have accelerated the EU's shift from focusing primarily on normative power to emphasizing geopolitical considerations. As a result, the EU and its member states increasingly view their economic and trade relations with China through the lens of geopolitics, power competition, and potential conflict. This shift has led to a growing tendency to politicize economic and trade issues. The EU now approaches external economic dependencies with a more competitive outlook. "Economic security", "de-risking", and "reducing dependency" have become central topics, increasingly institutionalized and systematic.

Fourthly, US pressure and influence on Europe have played a key role in shaping China-EU economic and trade relations, particularly in the context of the ongoing US-China strategic rivalry. In recent years, the US has pursued strategies containing China, imposing a range of aggressive tactics to curb China's development. Both the Trump and Biden administrations have followed this approach but with differing methods. The Trump administration took a more unilateral stance, relying on tariffs and other direct pressurization and confrontation tactics. In contrast, the Biden administration has focused on rallying "like-minded" allies, including the EU and its member states, through multilateral efforts and the application of long-arm jurisdiction to contain China. The Russo-Ukrainian conflict has significantly eroded the EU's "strategic autonomy", making US influence over Europe's China policy even more noticeable. The US has applied considerable pressure on its European allies, urging them to align with its containment strategy against China. While being compressive, US efforts have been particularly focused on high-tech sectors and other critical industries, aiming to suppress, hinder, and disrupt China's rise in these fields. The most conspicuous example is the blatant suppression of China's leading high-tech enterprises, notably Huawei and ZTE. The US has spared no effort in exploiting security pretexts to coerce and induce European allies to exclude Huawei as a supplier. Furthermore, Washington directly pressured ASML, the Dutch lithography equipment manufacturer, to stop selling high-precision lithography machines to Chinese companies. Additionally, the US has used the US-EU Trade and Technology Council (TTC) as a platform and carries out bilateral cooperation with the EU through ten working groups focused on supply chains and technology within the trade framework. They coordinate policy initiatives in technological and industrial domains and implement preventive measures to effectuate "decoupling" and "chain-

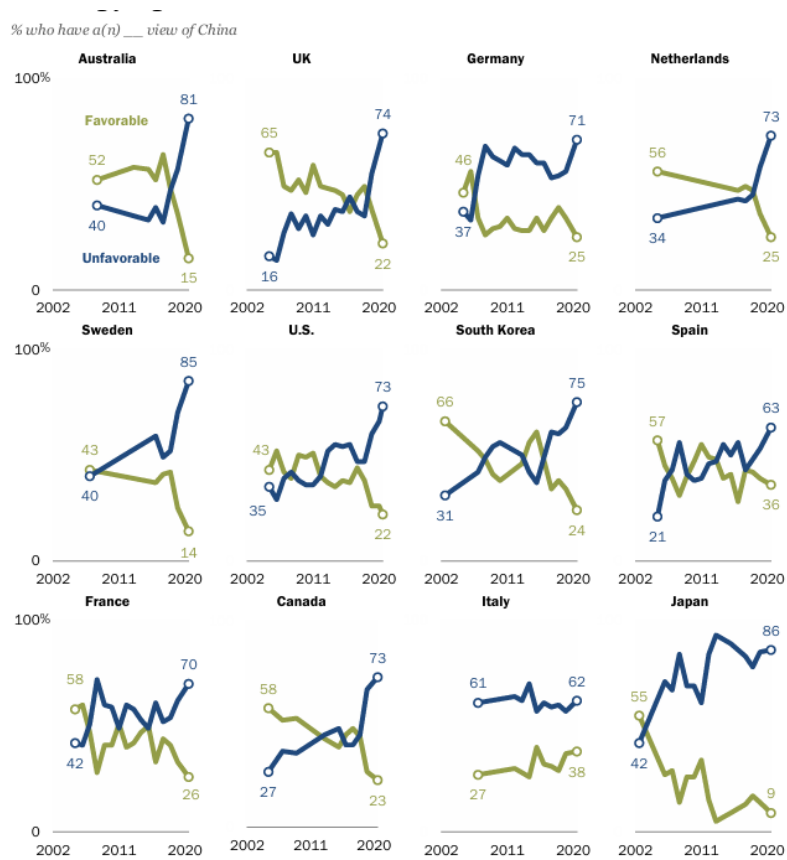
breaking” with China in high-tech and critical industries. In fact, the EU advocates “open strategic autonomy” in the economic sphere and is reluctant to take sides in the US-China strategic rivalry. It recognizes that “America First” is a bipartisan policy and suffers from the deleterious effects of the US *Inflation Reduction Act*. Despite this, it struggles to disentangle its economic and industrial ties with China from American influence.

Fifthly, growing negative public sentiment towards China in some European countries harms bilateral economic and trade relations. As global economic growth decelerates and the negative effects of globalization become more apparent, Europe has seen a rise in populism and xenophobia. Certain European media outlets, driven by ideological perspectives and values-based diplomacy, have spread negative narratives about China, focusing on issues such as human rights, democracy, religious freedom, and ethnic minorities. The COVID-19 pandemic intensified this sentiment, as some media outlets highlighted Europe’s reliance on Chinese supply chains for essential medical supplies like masks, ventilators, and pharmaceuticals, fueling calls for reduced dependency on and even decoupling from China. Following the outbreak of the Russo-Ukrainian conflict, misleading portrayals of China’s stance on the war by some European media, along with unfounded analogies drawn by politicians and media between Europe’s pre-conflict dependency on Russian oil and natural gas and its current reliance on China’s market, industrial products, and consumer goods, have stoked fear and anxiety among European citizens. These narratives have suggested the possibility of “broken chains” akin to those in the EU-Russia relationship,<sup>①</sup> deepening divisions between the two sides and fostering a climate of panic. They have contributed to a growing sense of negativity towards China among European citizens, further deteriorating the cooperative-competitive atmosphere in China-EU economic and trade relations. A survey by the Pew Research Center (see Figure 6) indicates that public opinion across certain European countries has become increasingly unfavorable towards China. More than half of respondents expressed negative feelings, such as dislike, concern, and anxiety, with these sentiments showing a clear upward trend.

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<sup>①</sup> Zhao Chen, “‘Risk Reduction’: A Pan-Securitized Strategic Terminology Targeting China”, *Chinese Social Sciences Today*, August 1, 2024.





**Figure 6 Increasing Unfavorable Views of China in EU Countries and other Developed Economies**

Source: A survey by Pew Research Center.<sup>①</sup>

<sup>①</sup> Laura Silver, Kat Devlin and Christine Huang, “Unfavorable Views of China Reach Historic Highs in Many Countries”, *Pew Research Center*, October 6, 2020, [https://www.pewresearch.org/wp-content/uploads/sites/20/2020/10/PG\\_2020.10.06\\_Global-Views-China\\_FINAL.pdf](https://www.pewresearch.org/wp-content/uploads/sites/20/2020/10/PG_2020.10.06_Global-Views-China_FINAL.pdf).

### 3. Prospects for China-EU Economic and Trade Relations

**Firstly, we maintain a cautiously optimistic outlook on China-EU economic and trade relations.** When appraising the prospects for China-EU economic and trade cooperation and competition, we believe that economic and trade relations remain the ballast of the China-EU relationship. Evolving dynamics of bilateral industrial and economic competitiveness, along with shifts in the international geopolitical landscape, have posed challenges, particularly the politicization of economic issues. Despite the cooling sentiment in China-EU economic and trade relations, we maintain a cautiously optimistic attitude towards the future development of China-EU economic and trade ties. There are no conflicts of significant core interests or major geopolitical tensions between China and the EU. Both sides still have substantial needs for economic cooperation, with areas of cooperation outweighing competition and shared understanding surpassing their differences.

**Second, China-EU economic, trade, and industrial ties are tightly intertwined, rendering decoupling unfeasible.** China and the EU, as the world's second and third largest economies and key players in global industrial and supply chains, are deeply intertwined through industrial interdependence and economic ties. From an industrial perspective, China enjoys a comprehensive modern industrial system comprising 41 large industrial categories, 207 medium ones and 666 small ones, thus it is the only country in the world that has all the industrial categories based on the industrial classification of the UN. The significance of its industrial connections with Europe is self-evident. Additionally, the trade interdependence between China and the EU is high. We use the trade dependency ratio (TDR) metric to assess the trade dependency between China and the EU.<sup>①</sup> As shown in Figure 7, the economic interdependence between China, the EU, and the US grew closer over the decade from 2011 to 2021, particularly in recent years, reflecting the strong economic ties between these economies. The idea that decoupling between China and the EU is not feasible in terms of trade has become a

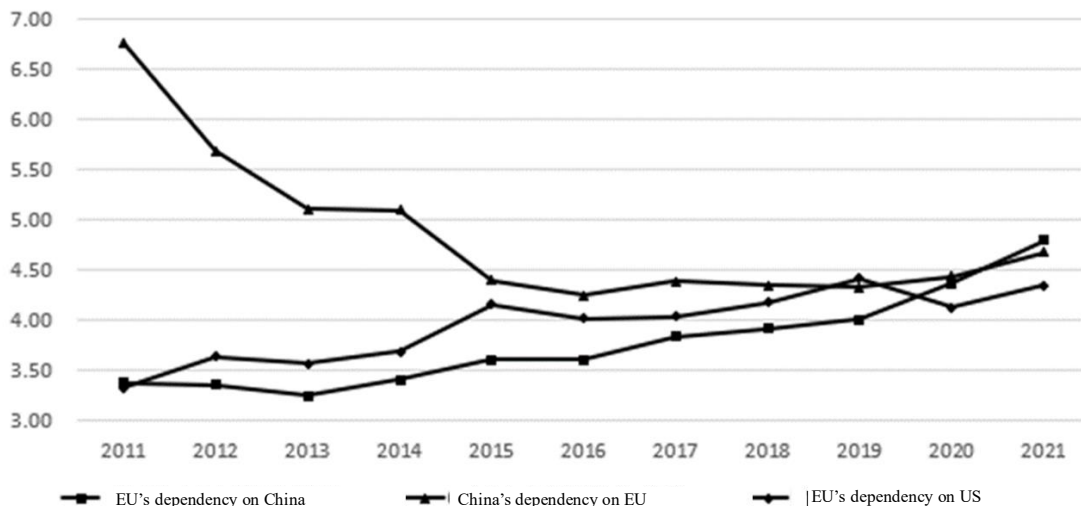
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<sup>①</sup>  $TRD_{ij,t} = (X_{ij,t} + M_{ij,t})/GDP_{i,t}$ ,  $TRD_{ij,t}$  represents the dependency of country i on country j for time period t, and  $X_{ij,t}$  and  $M_{ij,t}$  represent the imports and exports of country i from/to country j for time period t.  $GDP_{i,t}$  Represents the GPD of country i for time period t.

widely accepted view among policymakers and scholars on both sides. A 2021 report titled *Decoupling Europe*,<sup>①</sup> published by the Kiel Institute for the World Economy, found that if the EU were to unilaterally decouple from China and impose higher trade barriers, it would result in an annual loss of at least EUR 130 billion, equivalent to 0.8% of the EU's GDP in 2019. In the event that China retaliated with reciprocal measures, the EU's losses could increase to EUR 170 billion, equivalent to 1% of its GDP in 2019. Similarly, a study by the Ifo Institute in Germany (see Table 3) suggests that such a unilateral decoupling would reduce Germany's real GDP by 0.52% and China's by 0.42%. If China imposed retaliatory measures, the long-term impact would be even greater, with China's GDP shrinking by 0.76%, nearly double the loss from a unilateral decoupling. Germany and other EU countries would also face significant economic losses, with Germany's real economic loss estimated at -0.81% and other EU countries at -0.53%. If China and the EU were to decouple, Germany's GDP would suffer a loss nearly four times greater than the UK's post-Brexit losses, and the total economic cost would be six times higher than Brexit's cost. Evidently, given the current close industrial, economic, and trade ties between China and the EU, as well as the context of economic globalization, the industries and economies of China and the EU are inextricably intertwined through production networks. Any "de-risking" or "reducing dependence" initiatives to decouple would undoubtedly harm both sides, resulting in lose-lose scenarios.

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<sup>①</sup> Gabriel Felbermeyer, et al., "Decoupling Europe", Kiel Institute for the World Economy, *Kiel Policy Brief*, No.153, July, 2021, [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/4f7915ea-1ec1-46b6-ad90-84ec137bb909-KPB\\_153.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/4f7915ea-1ec1-46b6-ad90-84ec137bb909-KPB_153.pdf).



**Figure 7 Trade Interdependency between China, the EU, and the US (2011-2021)**

Source: Chun Ding, “China-EU: Economic Relations: Status, Causes, and Prospects”.<sup>①</sup>

**Table 3 Impact on GDP of Countries in Case of Decoupling between the EU and China (%)**

	Unilateral decoupling		Bilateral decoupling	
	EU - China	The West - China	EU - China	The West - China
Germany	-0.52%	-0.55%	-0.81%	-0.76%
Other EU countries	-0.38%	-0.37%	-0.53%	-0.49%
China	-0.42%	-1.49%	-0.76%	-2.27%
US	0.02%	-0.40%	0.01%	-0.48%
Other countries	0.03%	-0.06%	0.01%	0.24%

Source: Clemens Fuest, et al., “Geopolitische Herausforderungen und ihre Folgen für das deutsche Wirtschaftsmodell”.<sup>②</sup>

**Thirdly, in general, the EU retains a significant comparative advantage over China**

<sup>①</sup> Chun Ding, “China-EU: Economic Relations: Status, Causes, and Prospects”, in Thomas Meyer and José Luís de Sales Marques (eds.), *The EU and China: Avoiding a New Cold War*, London: Routledge, 2024, pp. 21-35.

<sup>②</sup> Clemens Fuest, Lisandra Flach, Florian Dorn and Lisa Scheckenhofer, “Geopolitische Herausforderungen und ihre Folgen für das deutsche Wirtschaftsmodell”, *Vereinigung der Bayerischen Wirtschaft*, August 2022, <https://www.ifo.de/publikationen/2022/monographie-autorenschaft/geopolitische-herausforderungen>.

from the perspective encompassing all industries and the overall economy. The industrial competitiveness of China and the EU and the economic and trade competition between the two sides, which has induced anxiety and heightened caution in the EU, has been overstated. We use the global value chain (GVC)<sup>①</sup> index to evaluate the relative positions of Chinese and European manufacturing sectors within global value chains (the international division of labor). As shown in Figure 8, China has made impressive progress in industrial upgrading and closing the gap with the US and EU, while the US and EU continue to occupy absolute leading positions in the international division of labor and global value chains, significantly higher than China. The pressures on industrial competition exerted by China on the EU and the EU's concerns about being generally surpassed by China in the industrial realm have been exaggerated.

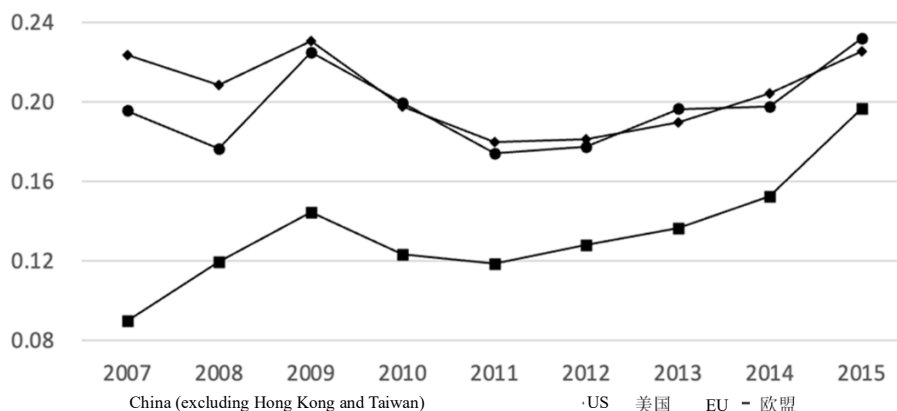


Figure 8 GVC of China, the EU, and the US in 2007-2015

Source: Calculations by the authors with OECD-TiVA data.

We introduce the export similarity index (ESI)<sup>②</sup> (see Table 4) to evaluate the extent of competition between China and the EU in bilateral trade and the underlying industries.

<sup>①</sup>  $GVC_{ir}^T = \ln\left(1 + \frac{IV_r^i}{E_r^i}\right) - \ln\left(1 + \frac{FV_r^i}{E_r^i}\right)$ ,  $\frac{IV_r^i}{E_r^i}$  represents the proportion of the domestic added value of intermediate goods from country r's industry i ( $IV_r^i$ ) in its total exports ( $E_r^i$ ), i.e., the forward links of the global value chain, and  $\frac{FV_r^i}{E_r^i}$  represents the proportion of foreign added value from country r in intermediate goods of industry i in its total exports ( $FV_r^i$ ), i.e., the backward links of the global value chain.

<sup>②</sup>  $ESI(ab, c) = \sum_i \left\{ \frac{\frac{x_{ac}^i + x_{bc}^i}{x_{ac}^i x_{bc}^i}}{2} * \left[ 1 - \frac{\left| \frac{x_{ac}^i}{x_{ac}^i} - \frac{x_{bc}^i}{x_{bc}^i} \right|}{\frac{x_{ac}^i + x_{bc}^i}{x_{ac}^i x_{bc}^i}} \right] \right\} * 100\%$ , where  $\frac{x_{ac}^i}{x_{ac}^i}$  and  $\frac{x_{bc}^i}{x_{bc}^i}$  represent the proportion of the exports of product i from a and b to market c in the total exports to market c.

A higher ESI indicates greater export similarity between the two economies in global and third-party markets. This signifies a higher degree of overlapping in the international division of labor within that industry, suggesting intensified competition. The competition between China and the EU in manufacturing is less severe than that between China and the US. (see Table 5). Data reveals that competition between China and the EU in manufacturing is concentrated primarily in the chemical industry, followed by machinery manufacturing. Overall, the export similarity between China and the EU in manufacturing is lower than that between China and the US, indicating that China and the EU are not in a high-stakes rivalry across all manufacturing segments. Moreover, the ESI between China and the EU has been steadily decreasing, suggesting a clearer and more complementary international division of labor rather than competition in disorder. Therefore, while China and the EU engage in competition in the industrial and trade spheres, the potential for cooperation and synergy remains substantial.

**Table 4 Manufacturing ESI between China and the EU in 2011-2015 (Unit: %)**

	2011	2012	2013	2014	2015
Food, beverage, and tobacco preparation	0.812	0.868	0.921	0.953	0.906
Clothing, textile, and leather	1.938	1.812	1.801	1.771	1.616
Wood, paper making, and printing	1.977	1.921	1.937	1.869	1.828
Chemicals and non-metallic minerals	15.056	14.902	14.551	14.356	14.368
Basic and processed metals	6.724	6.598	6.169	5.900	5.584
Computers and electronic devices	7.251	6.842	6.778	6.686	6.297
Machinery manufacturing	9.538	9.377	9.112	8.965	8.703
Transportation manufacturing	3.228	3.049	3.260	3.425	3.380
Others	2.313	2.264	2.265	2.376	2.473
Overall ESI	48.837	47.633	46.794	46.301	45.155

Source: Calculations by the authors with OECD-TiVA data.

Table 5 Manufacturing ESI between China and the US in 2011-2015 (Unit: %)

	2011	2012	2013	2014	2015
Food, beverage, and tobacco preparation	2.317	2.262	2.232	2.189	2.128
Clothing, textile, and leather	14.336	13.920	14.254	13.961	13.628
Wood, paper making, and printing	1.652	1.678	1.687	1.754	1.793
Chemicals and non-metallic minerals	11.276	11.391	11.350	11.461	11.485
Basic and processed metals	9.072	8.608	8.314	9.170	8.918
Computers and electronic devices	31.364	31.706	32.293	31.361	32.029
Machinery manufacturing	8.457	8.400	8.345	8.412	8.408
Transportation manufacturing	6.049	5.628	4.927	4.808	5.081
Others	5.431	6.343	6.293	6.506	5.582
Overall ESI	89.953	89.865	89.694	89.622	89.054

Source: Ding Chun and Chen Tenghan, “Competition in Manufacturing between China, the United States, and Europe: Current State, Policy Responses, and Prospects”.<sup>①</sup>

**Fourthly, competition is likely to intensify under the influence of geopolitical and other factors, while China-EU economic and trade cooperation has expansive domains and potential.** On the one hand, beyond traditional trade areas, there is vast room for new and emerging fields of cooperation between China and the EU. Notably, those sides can achieve deep cooperation in fields such as green development, digital transformation, and global economic governance, which are likely to become new pillars of China-EU economic and trade relations. High-level dialog mechanisms are already in place for green and digital cooperation. In green development, China and the EU have engaged in extensive cooperation on research and development and project execution of

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<sup>①</sup> Ding Chun and Chen Tenghan, “Competition in Manufacturing between China, the United States, and Europe: Current State, Policy Responses, and Prospects”, *China Journal of European Studies*, No. 5, 2021, pp. 6-35.

offshore wind power, fuel cell technology, and energy storage. Significant potential exists for further cooperation, particularly in renewable energy fields like green hydrogen. In digitalization, China and the EU have created cooperation models in innovation fields, such as autonomous vehicles, new energy vehicles, and artificial intelligence. In 2022, Volkswagen announced an EUR 2.4 billion investment to establish a joint venture with the Chinese start-up Horizon Robotics for developing autonomous driving features for electric vehicles, serving as an example of this bilateral digital partnership. China and the EU can also actively cooperate in sectors like food, pharmaceuticals, and biodiversity. As for global economic governance, both China and the EU support globalization, multilateralism, and free trade. They can work together to safeguard and refine international multilateral rules, such as maintaining the proper functioning of the World Trade Organization (WTO) and enhancing cooperation within the International Monetary Fund (IMF) in fields such as financial regulation, international taxation, and anti-corruption.

On the other hand, it is important to recognize that industrial and trade competition between China and the EU is likely to intensify, and frequent trade and industry-related disputes between the two sides are anticipated. The EU and its member states have had to tackle a series of disruptions since the 2009 European debt crisis, such as refugee crises, terrorist attacks, and Brexit. Added to these are geopolitical factors like the prolonged Russo-Ukrainian conflict and the Israeli-Palestinian conflict, which have further hindered economic recovery. Europe's challenges also include relative lag in innovation, a slower green transition, infrastructure deficits, and an aging population. The new European Commission released a report titled *The Future of European Competitiveness* spearheaded by Mario Draghi.<sup>①</sup> According to the report, the EU's competitiveness is currently being squeezed, while China has experienced a relative rise in economic competitiveness fueled by its reforms, opening-up, and accession to the WTO. Through continuously catching up and upgrading, China's industries have narrowed the gap with traditional manufacturing powers such as Germany and other European countries. China

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<sup>①</sup> European Union, "The Future of European Competitiveness. Part A | A Competitiveness Strategy for Europe", September 2024, [https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961\\_en?filename=The%20future%20of%20European%20competitiveness%20\\_%20A%20competitiveness%20strategy%20for%20Europe.pdf](https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf).



has even emerged as a leader in certain high-end manufacturing segments, such as electric vehicles, power batteries, and photovoltaic equipment, known as the “new three pillars”. This convergence is poised to accelerate competition between China and the EU. The US, driven by strategic considerations to contain China, consistently leverages geopolitical factors to rally, pressure, and incentivize European allies to construct “small yard, high fence” against China. Factors such as the Russo-Ukrainian conflict have diminished the EU's capacity for strategic autonomy. These developments have exacerbated economic and industrial frictions between China and the EU.

**Fifthly, China and the EU should adhere to the principle of seeking common ground while reserving differences in strengthening economic and trade cooperation.** Faced with profound changes unseen in a century and what the EU terms a “Zeitenwende” characterized by complex international dynamics, coupled with a challenging global economic recovery, China and the EU should embrace a global, strategic outlook, put themselves in each other’s position, and prioritize bilateral economic and trade cooperation. By seeking common ground while preserving differences, they can deepen cooperation and engage in fair competition. At the 24th China-EU Summit, President Xi Jinping called on China and the EU to be partners for mutually beneficial cooperation, strengthening two-way political trust, building strategic consensus, cementing the bonds of shared interest, steering clear of various kinds of interference, stepping up dialog and cooperation for the good of our people. The two sides should join hands to tackle global challenges and promote stability and prosperity around the world.<sup>①</sup> China has historically remained and will continue to be, committed to its policy of openness to the world. It places great importance on addressing the EU’s concerns and actively advancing China-EU economic and trade relations. The 20th National Congress of the Communist Party of China in 2022 reaffirmed China’s goal to elevate its openness to new levels. During the 2023 China International Import Expo (CIIE), President Xi Jinping noted that China would work with other countries and stakeholders to create shared opportunities for institutional openness, gradually advance institutional openness in areas such as regulations, regulation formulation, management, and standards, underscoring China’s

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<sup>①</sup> “Exclusive Video | Xi Jinping: China and Europe Should Jointly Address Global Challenges and Promote World Stability and Prosperity”, people.cn, December 7, 2023, <http://politics.people.com.cn/n1/2023/1207/c1001-40134031.html>.

commitment and actions to fostering a more open economy. At the policy and practical level, China's *Foreign Investment Law*, enacted in 2019, serves as the foundational legal framework for foreign investment, prohibiting forced technology transfer, strengthening the protection of trade secrets, enhancing transparency in foreign investment policies, and optimizing the business environment for foreign companies entering China. After joining the Regional Comprehensive Economic Partnership (RCEP) in 2020, China is actively considering joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and continuing to advance the China-EU Comprehensive Agreement on Investment (CAI). By establishing over 20 free trade zones, including those in Shanghai and Hainan, and implementing other initiatives, China remains committed to promoting trade liberalization, accelerating service trade development, optimizing trade structures, developing high-standard trade rules, expanding market access, and enhancing openness. Moreover, China and the EU have established over 70 cooperation mechanisms across various levels and fields, including economics, science and technology, commerce, and culture, to facilitate dialog and manage differences. In the realm of economic and trade relations, both sides should prioritize the overarching goal of maintaining the China-EU Comprehensive Strategic Partnership, strengthening cooperation, and effectively utilizing existing proven consultation mechanisms. They should deal with differences with the utmost sincerity, embracing dialog and negotiation to find mutually acceptable solutions. In electric vehicle and other disputes, both sides may accept suboptimal solutions that benefit both rather than optimal ones that benefit solely one side to avoid lose-lose scenarios. Specifically, the two sides can leverage their complementary comparative advantages to jointly develop global markets for new energy vehicles, thereby fostering a win-win scenario for their industries. Chinese new energy vehicle companies remain committed to investing in Europe, providing a solid basis for both sides to engage in in-depth discussions to reach mutually beneficial agreements. Indeed, there is significant potential for China-EU cooperation within the industrial chain of new energy vehicles. For example, in software and hardware research and development for new energy vehicles, European automakers possess a solid technical foundation in vehicle design, powertrains, and vehicle power systems. This complements the strength of Chinese new energy vehicle companies in intelligent connectivity and in-vehicle software development. Combining their software capabilities and hardware

expertise could unlock new opportunities for advancing electric vehicle technology. In power battery development and production, China and the EU can cooperate on establishing green standards for power batteries, jointly developing battery material recycling technologies, and creating efficient, environmentally friendly, and cost-effective solutions for battery recycling and reusing. This could involve Chinese battery manufacturers leading greenfield investments in Europe. In new energy infrastructure, China and the EU can leverage their respective strengths in production capacity and technology to complement each other and explore opportunities for jointly developing third-party markets.



# **EU's Supply Chain Security Strategy and Its Implications for China-EU Relations**

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As globalization recedes and traditional geopolitics resurges, Europe finds itself buffeted by a series of internal and external crises that have led to significant upheaval in its economic performance and political landscape. Externally, the prolonged Russo-Ukrainian conflict, the Israeli-Palestinian war, and the Red Sea crisis have led to an increasingly fragmented geopolitical environment around Europe's periphery. Meanwhile, the escalating rivalry between China and the US has placed Europe in a precarious position, with various EU sub-regions and member states exhibiting disparate and often discordant perspectives. Internally, the tensions built up during rapid globalization and European integration have come to a head. Populism, nationalism, and Euroscepticism are gaining ground in mainstream European politics. The energy crisis, triggered by the war in Ukraine, has plunged Europe into a period of stagflation with limited prospects for recovery. The EU's economic growth has been virtually stagnant since early 2023, while Germany, traditionally the economic powerhouse of Europe, remains in recession. These challenges have exacerbated social divisions and heightened political polarization within Europe. In this turbulent period, Europe's political elites have been forced to recalibrate their strategic approach. They are no longer treating the neoliberal ideology underpinning globalization as a guiding principle, the agenda is increasingly shaped from the perspective of the zero-sum game of power politics, focusing more on protecting "economic security". Consequently, the security of supply chains, which significantly influence the macroeconomic landscape, has become a focal point for the EU leadership.

## **1. EU's Strategic Conception of Supply Chain Security**

In late 2016, the US explicitly declined recognizing China's "market economy status".

In August 2017, the Trump administration initiated an investigation into China-US trade relations. The situation escalated further in March 2018 when the Trump administration announced punitive tariffs on Chinese products, heralding the commencement of a “trade war” with China. This marked the beginning of a gradual transition toward comprehensive strategic competition between the two countries. As friction between China and the US intensified across economic, diplomatic, and strategic dimensions, novel theories concerning geoeconomic competition emerged. These new perspectives have significantly influenced the thinking of Europe’s political leaders, constructing their strategic priorities and their conceptual frameworks of supply chain security.

On the one hand, American scholars, drawing from traditional theoretical perspectives of great power competition and power transition, developed the concept of a “New Cold War” - building upon the “Thucydides Trap”. This concept has resonated with European audiences, including strategic research circles, political elites, and the general European public. In early 2017, Graham Allison predicted in his book that direct conflict between China and the US was inevitable. In early 2019, Robert Kaplan declared that “A New Cold War Has Begun”. In 2021, John Mearsheimer stated that “There’s no question we’re in a new cold war”. In this context, a September 2021 survey by the European Council on Foreign Relations in 12 EU member states found that 62% of respondents believed a “New Cold War” was taking place between China and the US, but they mostly did not think that their own country was involved.<sup>①</sup> The outbreak of the Russo-Ukrainian conflict in February 2022 served as a wake-up call for Europe, revealing that it was being drawn into the “New Cold War” too. Throughout 2022 and 2023, European think tanks like the German Foundation for Political Science and Politics and Bruegel actively engaged in the ongoing debate about the “New Cold War” initiated by their American counterparts. On October 4, 2023, 36 European think tank scholars and former EU officials jointly released *The European Union at the time of the New Cold War: A Manifesto*. They urged the new EU leadership to abandon outdated approaches, reform EU mechanisms, and reshape policy agendas.<sup>②</sup> Driven by the “New Cold War” narrative, European political

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<sup>①</sup> Ivan Krastev and Mark Leonard, “What Europeans think about the US-China Cold War”, *ECFR*, September 22, 2021, <https://ecfr.eu/wp-content/uploads/What-Europeans-think-about-the-US-China-Cold-War-2.pdf>.

<sup>②</sup> Marco Buti, et al., “The European Union at the time of the New Cold War: A Manifesto”, *CEPR*, October 4, 2023, <https://cepr.org/voxeu/columns/european-union-time-new-cold-war-manifesto>.

elites and EU leadership have increasingly adopted a strategic security perspective when addressing various issues, resulting in a trend toward “pan-securitization” in decision-making on external economic relations.

On the other hand, the concept of “economic warfare”, which gained prominence during the later stages of the Cold War, has resurfaced. American scholars have introduced a range of new perspectives and concepts that have resonated with EU decision-makers as evidenced in three key dimensions. Firstly, EU decision-makers have adopted the perspective of “weaponized interdependence”. They argue that dominant powers can disrupt the economic functioning of competitors by controlling the “chokepoints” within international economic networks.<sup>①</sup> Consequently, the EU seeks “reducing dependence on China”, and “diversifying supply chains” as a strategic response to “weaponized interdependence”, and prioritizes supply chain security as paramount to “economic security”. The *Joint Communication on European Economic Security Strategy* released on June 20, 2023 provides an extensive exposition of this approach.<sup>②</sup>

**Secondly, EU decision-makers have embraced the concept of “gray zone warfare” also known as “hybrid warfare”,** reframing friction and conflicts in technology, trade, and investment spheres as confrontations within the “grey zone”. This form of confrontations is perceived to undermine adversaries’ technological advancement and economic growth and devastate their developmental potential, thereby becoming a component of strategic competition between powers. **The EU maintains that preserving “economic security” is crucial in countering such confrontations, with supply chain security as a critical pillar.** The terms “hybrid threat” and “hybrid conflict” appeared frequently in various strategic documents released between late 2022 and July 2023, including France’s *National Strategic Review*, the *Security Strategy for the Kingdom of the Netherlands*, the EU’s *Economic Security Strategy*, Germany’s *National Security Strategy* and *Strategy on China*. These documents emphasize how such threats can primarily disrupt supply chains, subsequently triggering economic turbulence. To address these threats, the EU issued more than 50 policy documents in 2023, aiming to

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<sup>①</sup>Henry Farrell and Abaraham L. Newman, “Weaponized Interdependence: How Global Economic Networks Shape State Coercion”, *International Security*, Vol. 44, No. 1, Summer 2019, pp. 42-79.

<sup>②</sup>European Commission, “Joint Communication on “European Economic Security Strategy”, JOIN (2023) 20 Final, June 20, 2023, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023JC0020>.

strengthen “supply chain resilience” in areas like “critical raw materials”, “critical infrastructure”, and “critical technologies”.

Thirdly, EU decision-makers, influenced by the “strategic assets” theory, have integrated industrial policies into their economic security strategies, focusing on establishing autonomously controlled “strategic value chains” to ensure the stable operation of related supply chains for technological and economic security. The “strategic assets” theory posits that to realize the multiple externalities of specific technologies, policies should be implemented at the macroeconomic level to ensure domestic control over certain assets.<sup>①</sup> Guided by this theory, the EU identified 11 industrial sectors in January 2023, including “critical entities providing essential services”.<sup>②</sup> In March, it released a report further including 34 “strategic raw materials”, 15 “strategic technologies”, and 5 “strategic sectors” (renewable energy, e-mobility, energy-intensive industry, information, communications and digital technology, and aerospace and defense). In November, it further identified ten “key technologies”, including advanced semiconductors, artificial intelligence, quantum computing, biotechnology, digital communication, sensing, energy, aerospace, automation robotics, and advanced materials.<sup>③</sup> The EU regards these industries and sectors as strategic pillars for technological security, aiming to establish robust supply chains and ensure the sustainability of technological research and development, resource input, and production continuity.

## 2. EU’s Assessment of Supply Chain Security

The escalating international geostrategic competition and the shifting dynamics of the China-US relationship have heightened a sense of strategic anxiety among European political elites and EU decision-makers. From the inception of its tenure in late 2019, the new European Commission, under the leadership of Ursula von der Leyen, has repeatedly and explicitly articulated that amid global transformations driven by China-US

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<sup>①</sup> Jeffrey Ding and Allan Dafoe, “The Logic of Strategic Assets: from Oil to AI”, *Security Studies*, Vol. 30, No. 2, 2021, pp. 181-212.

<sup>②</sup> European Union, Directive (EU) 2022/2557 of 14 December 2022 on the Resilience of Critical Entities and Repealing Council Directive 2008/114/EC, *Official Journal of the European Union*, 27 December 2022, pp. L333/193-197.

<sup>③</sup> Carrara S. Bobba et. al., *Supply Chain Analysis and Material Demand Forecast in Strategic Technologies and Sectors in the EU: A Foresight Study*, Publications Office of the European Union, Luxembourg, 2023.



competition, Europe “should be a Player, not the Playground”. This rhetorical positioning reflects a clear concern about the potential decline of Europe’s global influence.<sup>①</sup>

**Specifically, the current EU leadership’s strategic anxieties encompass three distinct layers of consideration:**

**The first layer is anxiety over “competitiveness”.** Since 2010, the emergence of “disruptive emerging technologies”, exemplified by artificial intelligence, quantum computing, and information communications, has catalyzed a new wave of international technological and industrial competition, commonly called the “Fourth Industrial Revolution”. It is incontrovertible that Europe has lagged behind China and the US in this competition. European political elites have expressed deep concern over this situation and are actively proposing strategies and solutions. EU decision-makers have identified the enhancement of Europe’s international technological and economic competitiveness as a top priority following the leadership transition in the latter half of 2024. In April 2024, former Italian Prime Ministers Enrico Letta and Mario Draghi released separate reports reflecting the priorities of the European economic and political circles, trying to shape the agenda of the new EU leadership. “Competitiveness” was a central theme in both reports. On July 18, 2024, European Commission President Ursula von der Leyen presented the “Political Guidelines” for her new term, with the term “competitiveness” appearing over 30 times, underscoring the EU leadership's focus and concerns on this issue.

**The second layer is anxiety over “resilience”, centering on an obsessive desire to enhance supply chain resilience.** The intensifying geopolitical competition in recent years has caused recurring disruptions in the EU’s external economic relations, leaving EU leaders increasingly concerned about the resilience of supply chains and the broader macroeconomic environment. The energy crisis triggered by the Russo-Ukrainian conflict in February 2022 sent shockwaves across Europe, plunging the continent into an economic downturn from which it has yet to recover fully. Meanwhile, fluctuations in US-EU relations have inflicted substantial damage on Europe’s external supply chains and international economic connections. The Biden administration has not lifted the

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<sup>①</sup> Jacopo Barigazzi, “Borrell urges EU to be foreign policy ‘player, not the playground’”, 9 December 2019, Politico, <https://www.politico.eu/article/on-foreign-policy-josep-borrell-urges-eu-to-be-a-player-not-the-playground-balkans>.

punitive tariffs on EU steel and aluminum products imposed during the Trump era; instead, it has offered only limited tariff-free quotas. In September 2022, US President Joe Biden signed the *Inflation Reduction Act of 2022* to attract advanced manufacturing investment to the US, which has intensified the phenomenon of industrial hollowing-out in Europe, adding to the economic strain already caused by the energy crisis and stagflation.<sup>①</sup> Moreover, the initial shortages of medical supplies during the COVID-19 pandemic, coupled with ongoing trade tensions between China and the EU, have left Europe wary of its dependence on China. This has strengthened their resolve to reduce “strategic dependence” on China.

To date, no EU policy document has provided a systematic or clear definition of “resilience”. Examining the content of these documents reveals that the “resilience” persistently emphasized by EU decision-makers essentially refers to the “stability” of technologies and economic operations. In other words, the aim is to prevent both acute shortages of resources and energy in upstream production chains and dramatic price fluctuations of finished products downstream across all segments of economic activity, including technological research and development, factor inputs, product manufacturing, infrastructure operations, and cross-border trade and investment, thereby maintaining sustained and stable economic operations. The EU’s leadership under Ursula von der Leyen has released around 36 policy documents specifically aimed at enhancing the “resilience” of various sectors and stages of technological development and economic operations. Additionally, EU policies on critical raw materials, key infrastructure, and economic security frequently emphasize the importance of “resilience”. From the perspective of European political elites, supply chain “resilience” is considered an inherent and indispensable component of technological and economic security.

**The third layer is anxiety over “new-type resources”.** In the current wave of international technological competition, real-time data from digital platform operations and critical raw materials essential for the advancement of “emerging disruptive technologies” have become the most sought-after resources. The strategic value of these resources far surpasses that of oil and gas resources from the industrial era. How to

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<sup>①</sup> Niels Graham, “The IRA and CHIPS Act are supercharging US manufacturing construction”, *The Atlantic Council*, February 13, 2024, <https://www.atlanticcouncil.org/blogs/econographics/the-ira-and-chips-act-are-supercharging-us-manufacturing-construction/>.

effectively control and utilize these new resources has become a pressing question, generating considerable anxiety among EU decision-makers. In particular, the control of critical raw materials depends heavily on stable operation of supply chains. This anxiety serves as a major factor compelling the EU to accelerate the implementation of its supply chain security strategies.

To effectively address these three strategic anxieties, EU decision-makers have introduced the concept of “de-risking” as the conceptual foundation and overall objective of their supply chain security strategies. Originally a financial term, “de-risking” refers to using specific financial measures to hedge against uncertainties in investments, helping preserve the overall value of assets. In January 2019, the Federation of German Industries (BDI), representing German industrial and commercial interests, introduced the notion of “risk balancing” while articulating policy recommendations regarding China. They urged German enterprises to diversify their production and investment networks to avoid excessive concentration of investments in China.<sup>①</sup> On March 30, 2023, European Commission President von der Leyen delivered a comprehensive proposition of the “de-risking” concept in her China policy speech at the Mercator Institute for China Studies (MERICS) in Germany.<sup>②</sup> This concept essentially represents a refinement of the “decoupling” strategy proposed by the Trump administration and an extension of the “small yard, high fence” approach articulated by Biden’s National Security Advisor Jake Sullivan. Essentially, it involves “selective decoupling” or “targeted decoupling” to reduce “strategic dependence” on China and protect “economic security” by restructuring supply chains and limiting, reducing, or even completely cutting off economic ties with China in “critical” or “strategic” sectors, especially in “emerging disruptive technologies” like artificial intelligence, quantum computing, information and communications, clean energy, and related “advanced manufacturing”.

### **3. EU’s Overall Plan for Supply Chain Security**

In traditional international relations theory, realism bifurcates into “offensive” and

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<sup>①</sup>Paul Gewirtz, “Words and Policies: De-risking and China Policy”, *Brookings*, May 30, 2023, <https://www.brookings.edu/articles/words-and-policies-de-risking-and-china-policy/>.

<sup>②</sup>European Commission, “Speech by President von der Leyen on EU-China Relations to the Mercator Institute for China Studies and the European Policy Center”, March 30, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_23\\_2063](https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063).

“defensive” schools. The former seeks to maximize security interests by breaking the status quo and enhancing its own power to the greatest extent possible, while the latter emphasizes achieving security through mutual deterrence, advocating for a stable structure similar to the bipolar balance of power between the US and the Soviet Union. The EU’s economic security strategy, as a crucial aspect of constructing “EU Strategic Autonomy”, similarly encompasses “offensive” and “defensive” policy approaches. The offensive approach focuses on ensuring that the EU develops new technologies more quickly and efficiently than its competitors and gaining control over the global trajectory of cutting-edge technologies. This can be termed a strategy for “assuring technological advancement”, typically manifested in industrial policies. The defensive approach aims to secure monopolistic control over existing cutting-edge technologies, dampen competitors’ technological progress and industrial upgrading, squeeze competitors’ economic development space, and thus establish competitive advantages. This can be termed a strategy for “assuring technological possession”, implemented through policies on export controls, investment screening, and trade protection. The EU’s supply chain security strategy is embedded within these two types of policy frameworks.

As offensive strategies, the EU published *A New Industrial Strategy for Europe* in March 2020, followed by *Updating the 2020 New Industrial Strategy* on May 5, 2021, and the European Council’s EUCO 34/22 document in October 2022. These documents aim to establish European dominance in “emerging disruptive technologies” and “strategic industries” by coordinating efforts across Europe, pooling resources, and accelerating EU-controlled technological R&D and industrial upgrading. These documents explicitly state the need to ensure stable supply chains for the “strategic industries” that the EU aims to promote. To enhance supply chain “resilience” in these industries, particularly in the areas of input factors and product sales, especially for raw materials and energy inputs, the EU intends to utilize three key measures, namely promoting a dual-level coordination mechanism involving the EU and its member states, participating in “small-group” Western technology and industry alliances led by the US, and advancing development assistance to the Global South.

As defensive strategies, the EU and its major member states have adopted new policies and regulations since early 2020 to strengthen export controls, investment screening, and trade protection. In September 2021, the EU adopted a regulation establishing a

comprehensive framework for export controls on the EU level, imposing stricter control on the export of dual-use goods and related technologies applicable to both military and civilian purposes. As the EU's sanctions on Russia intensified, it revised this regulation on May 5, 2022, and again on January 11, 2023, expanding the list of products subject to export controls. Member states, including Germany, France, and the Netherlands, articulated their export control intentions in national security strategy documents issued throughout 2022-2023. The EU adopted an investment screening regulation on March 13, 2019 and revised it on September 19, 2021 to strengthen control of "risks" associated with foreign investment in high-technology sectors. Similarly, member states, including Germany, France, and the Netherlands, revised or implemented their investment screening regulations during 2021-2022. These documents establish detailed provisions for strict monitoring and restrictions on the cross-border flow of technologies, raw materials, energy, intermediate products, and finished goods directly related to "strategic industries", along with associated investments. They are intended to prevent competitor nations from utilizing the EU's supply chains to acquire "strategic technologies" or compromising the EU's supply system of critical raw materials and energy.

#### **4. A Multi-Layered Framework of EU's Supply Chain Security Strategies**

The EU's supply chain security strategies are advanced through a multi-layered framework of specific policies. At the technological and industrial level, the EU is integrating critical raw materials strategies and energy security policies into its existing industrial strategy system to ensure the stable supply of key resources and energy needed for "strategic industries". At the level of external economic relations, the EU is constantly refining its export control, investment screening, and trade protection measures to restrict the cross-border flow of specific technologies, products, and capital. These measures prevent EU competitors from infiltrating supply chains and eroding the EU's exclusive control over key technologies. At the diplomatic and strategic level, the EU is advancing on three fronts simultaneously. The first is conducting free trade agreement negotiations to establish more bilateral free trade zones, thereby expanding its supply chains. The second is participating in "small-group" multilateral technology and industry alliances led by the US to forge supply chain alliances. The third is engaging in economic

diplomacy in the Global South and providing development assistance to key countries in the Global South through various bilateral cooperation mechanisms, aiming to secure a stable supply of resources and energy from these countries.

### **(1) At Technological and Industrial Level**

Since early 2020, the EU has issued over 440 industrial policy documents, with nearly 100 issued since the beginning of 2024 alone. On March 10, 2020, the EU unveiled *A New Industrial Strategy for Europe*, establishing the overarching goals of “digital transition” and “green transformation” for European industrial upgrading. This framework explicitly outlined the objectives of “reducing external dependence”, achieving “supply chain security”, and ensuring “technological security”.<sup>①</sup> On May 5, 2021, the EU issued *Updating the 2020 New Industrial Strategy*, giving more concrete objectives for supply chain security. The goal was to eliminate “strategic external dependence” in six “strategic areas”: raw materials, batteries, active pharmaceutical ingredients, hydrogen, semiconductors, and cloud and edge technologies.<sup>②</sup> Against the backdrop of the prolonged Russo-Ukrainian conflict, escalating energy crises, and economic stagflation, the European Council issued Document EUCO34/22 on December 15, 2022. This document reiterated the imperative to expedite industrial policy formulation and reconfigure global supply chain arrangements to reduce “strategic dependencies” in “the most sensitive areas”.<sup>③</sup>

The EU has released numerous specific regulations and policies targeting particular segments within “strategic industries”, outlining concrete measures to ensure supply chain security. Examples include the *Chips Act* effective in September 2023, the *Critical Raw Materials Act* in April 2024, the *Net-Zero Industry Act* in June 2024, and the *Artificial Intelligence Act* in August 2024. Since 2020, the EU has issued over 50 notifications, decisions, and reports, covering industries including semiconductors, clean energy, artificial intelligence development, aerospace, electric vehicle batteries, and

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<sup>①</sup> European Commission, “A New Industrial Strategy for Europe”, COM (2020) 102 Final, March 10, 2020, pp. 3-4, 13-17, <https://eur-lex.europa.eu/legal-content/DE/TXT/?uri=CELEX%3A52020DC0102>.

<sup>②</sup> European Commission, “Updating the 2020 New Industrial Strategy: Building a Stronger Single Market for Europe’s Recovery”, COM (2021) 350b Final, May 5, 2021, pp. 12-14.

<sup>③</sup> European Council, “Conclusions”, EUCO 34/22, December 15, 2022, pp. 5-6, <https://www.consilium.europa.eu/media/60872/2022-12-15-euco-conclusions-en.pdf>.

digital infrastructure. **In these documents, the EU has proposed establishing coordination mechanisms at the EU level and at the level of member states. Joint procurement, logistics data monitoring, information sharing between the US and EU, and other measures are proposed to guarantee the continuous flow of raw materials, energy, and intermediate products. Of particular importance is securing the supply of rare metals, rare earth elements, and non-metallic rare-earth minerals, which are crucial for “strategic industries”. They are intended to enable the stable operation of technological research and development, as well as the consistent sale of products, thereby creating a concrete policy framework for secure and reliable supply chains.** Meanwhile, EU member states have adopted or revised their industrial policies with similar elements. France unveiled *France 2030 Investment Programme* on October 15, 2021;<sup>①</sup> Germany published the *Digital Strategy of the Federal Government 2022-2025* on October 25, 2022; the Netherlands introduced its *Strategic and Green Industrial Policy Plan* on July 8, 2022. These documents reveal that member states are employing subsidies and government-led investment projects to nurture the most cutting-edge industries, such as artificial intelligence, quantum computing, and information and communication technologies, while promoting clean energy sectors, particularly those centered on hydrogen energy and electric vehicle batteries. Their concerted efforts implement the EU’s overarching goals of “digital transformation” and “green transformation”, while reducing “external dependence”.

## **(2) At Level of Export Controls and Investment Screening**

**As for export controls**, the EU focuses on “dual-use goods” with the most pronounced and direct civilian and military applications, while member states retain full autonomy over export controls for all other products. As the US and EU had decided to establish the Trade and Technology Council (TTC), the EU adopted a new regulation to establish a comprehensive export control system on September 9, 2021. This regulation restricts the export of products, related manufacturing equipment, and manufacturing technologies in ten key industries: nuclear materials, aerospace materials, advanced materials processing, high-end electronic components, computers, telecommunications,

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<sup>①</sup>L’Élysée, “Présentation du plan France 2030”, October 12, 2021, <https://www.elysee.fr/emmanuel-macron/2021/10/12/presentation-du-plan-france-2030>.

ocean surveillance sensors, air and maritime navigation equipment, deep-sea diving equipment, and space propulsion equipment. It establishes nine categories for export declarations and approvals, with exports to China falling under the more stringent fourth, fifth, and eighth categories.<sup>①</sup> On January 6, 2022, and again on January 11, 2023, the EU amended this regulation, adding new categories of controlled products and technologies. These primarily involve technologies, raw materials, and intermediate products related to advanced semiconductor production and biochemical manufacturing. The amended regulation also raised the minimum performance threshold for high-end computers subject to export restrictions, requiring strict scrutiny for any computer having a performance exceeding 70 weighted TeraFLOPS.<sup>②</sup> Given the escalating US restrictions on semiconductor exports to China since October 2022, these EU amendments clearly demonstrate a deliberate intent to cooperate and coordinate with the US.

The EU's collaboration with the US is not limited to the union level, as individual member states also engage in active communication and coordination with Washington. Following the US' implementation of new semiconductor export restrictions to China on October 7, 2022, the Biden administration vigorously lobbied the Japanese and Dutch governments, urging them to implement regulations prohibiting the sale of "deep ultraviolet lithography systems" and related equipment used in semiconductor production to China. Japan quickly agreed, but the Dutch government hesitated, citing commercial interests. On January 27, 2023, the Netherlands finally agreed to join the US-led embargo. Subsequently, on June 23, the Dutch Ministry of Foreign Trade issued an administrative order to restrict the export of lithography systems and other equipment essential for producing advanced semiconductors.<sup>③</sup> Germany's *Strategy on China*

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<sup>①</sup> European Union, "Regulation (EU) 2021/821 of 20 May 2021 Setting up a Union Regime for the Control of Exports, Brokering, Technical Assistance, Transit and Transfer of Dual-use Items", *Official Journal of the European Union*, June 11, 2021, L206/1-L206/465.

<sup>②</sup> European Union, "Commission Delegated Regulation (EU) 2022/1 of 20 October 2021 Amending Regulation (EU) 2021/821 as Regards the List of Dual-use Items", *Official Journal of the European Union*, January 6, 2022, L3/1-L3/260; European Union, "Commission Delegated Regulation (EU) 2023/66 of 21 October 2022 amending Regulation (EU) 2021/821 as Regards the List of Dual-use Items", *Official Journal of the European Union*, January 11, 2023, L9/1-L9/252.

<sup>③</sup> De Minister voor Buitenlandse Handel en Ontwikkelingssamenwerking, Regeling van de Minister voor Buitenlandse Handel en Ontwikkelingssamenwerking van 23 juni 2023, nr. MinBuza. 2023 15246-27 houdende invoering van een vergunningplicht voor de uitvoer van geavanceerde productieapparatuur voor halfgeleiders die niet zijn genoemd in bijlage I van Verordening 2021/821 (Regeling geavanceerde productieapparatuur voor halfgeleiders), Staatscourant, Nr. 18212, 30 juni 2023.



released on July 13 of the year dedicated a section to its intention to impose export controls on China.<sup>①</sup>

**As for investment screening,** EU member states retain authority to approve specific investment projects by non-EU enterprises in the Union, but an EU-level investment screening mechanism is now taking shape, giving the EU the power to issue opinions on incoming investment projects. These opinions inevitably influence the approval decisions of member states. The EU's *Framework for the Screening of Foreign Direct Investments into the Union* came into effect on April 1, 2019, establishing a mechanism for information exchange and collaborative decision-making between the EU and its member states.<sup>②</sup> On March 25, 2020, the European Commission issued *Guidance to the Member States Concerning Foreign Direct Investment and Free Movement of Capital From Third Countries, and the Protection of Europe's Strategic Assets*,<sup>③</sup> urging member states to rigorously prevent China from acquiring what it deemed "strategic assets" in Europe during the pandemic. This was followed by a staff working document titled *Evaluation of Procedural and Jurisdictional Aspects of EU Merger Control*, released on March 26, 2021, which summarized and detailed the screen process for foreign investment.<sup>④</sup> On September 29, 2021, the EU revised its FDI screening regulation, listing industries where member states should ban foreign investment. These industries are mainly related to high-tech research and development projects funded by the EU, such as space remote sensing, satellite communications, aerospace, climate governance, and artificial intelligence. Since 2021, the EU has published annual reports on investment screening, monitoring and analyzing capital inflows into the EU, with increasing emphasis on scrutinizing Chinese investment in Europe's "strategic" infrastructure or other assets. On January 13, 2023, the EU's *Regulation on Foreign Subsidies Distorting*

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<sup>①</sup> Die Bundesregierung, "China-Strategie der Bundesregierung", July 13, 2023, p. 41.

<sup>②</sup> European Union, "Regulation (EU) 2019/452 of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union", *Official Journal of the European Union*, March 21, 2019, L79/1-L79/14.

<sup>③</sup> European Commission, "Guidance to the Member States concerning Foreign Direct Investment and Free Movement of Capital from Third Countries, and the Protection of Europe's Strategic Assets, ahead of the Application of Regulation (EU) 2019/452 (FDI Screening Regulation)", C (2020) 1981 Final, March 25, 2020.

<sup>④</sup> European Commission, "Commission Delegated Regulation (EU) 2021/2126 of 29 September 2021 amending the Annex to Regulation (EU) 2019/452 Establishing a Framework for the Screening of Foreign Direct Investments into the Union", December 3, 2021, L432/1-L432/6.

*the Internal Market* came into effect, stipulating that the EU will take “corrective” measures if foreign companies receive subsidies from their home governments when investing in the EU.<sup>①</sup>

EU member states are also increasingly tightening their control over foreign investment. Since 2020, Germany has revised its *Foreign Trade and Payments Act* (AWG) and *Foreign Trade and Payments Ordinance* (AWV) several times. This is part of its implementation of the EU FDI screening regulation effective in 2019 while gradually expanding the German government’s oversight of foreign investment. In May 2021, the 17th amendment to German’s *Foreign Trade and Payments Ordinance* came into effect, expanding the number of sectors for foreign investment requiring reporting from 11 to 27. It introduced more detailed and stringent provisions for investment projects involving German national security, high-tech industries, and foreign investors with state-owned enterprise backgrounds.<sup>②</sup> Germany is considering enacting a separate foreign investment screening act.<sup>③</sup> France significantly revised its foreign investment screening regime in April 2020 and again in September 2021. Previously, a French company had to report its equity structure for review when a foreign investor's interest in the company reached a minimum threshold, typically 33%. The new regime lowered the threshold to 25% while broadening the scope of screening to include companies in "strategic industries” linked to high technology.<sup>④</sup> On May 18, 2022, the Netherlands adopted the *Act on Security Screening of Investments, Mergers and Acquisitions*, introducing a regime to monitor and scrutinize foreign mergers and acquisitions that could potentially impact Dutch national

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<sup>①</sup> European Union, “Regulation (EU) 2022/2560 of 14 December 2022 on Foreign Subsidies Distorting the Internal Market”, *Official Journal of the European Union*, December 23, 2022, L330/1-L330/45.

<sup>②</sup> Europäische Kommission, “EU-Vorschriften für Überprüfung von Investitionen und Ausfuhrkontrolle gewährleisten wirksam die Sicherheit der EU”, September 2, 2022, [https://ec.europa.eu/commission/presscorner/detail/de/ip\\_22\\_5286](https://ec.europa.eu/commission/presscorner/detail/de/ip_22_5286); “Stärkung der Investitionsprüfungen in Deutschland und Europa”, *ADVANT Beiten*, April 15, 2020, <https://www.advant-beiten.com/aktuelles/staerkung-der-investitionspruefungen-deutschland-und-europa>; Llinks Law Offices, “Mergers and Acquisitions Update: German Foreign Investment Control System Reform Targeting High Tech Fields”, December 31, 2021, <https://www.lexology.com/library/detail.aspx?g=9c496032-676d-41bc-be7e-99cf46546619>

<sup>③</sup> “Germany Wants Tighten Foreign Investment Controls amid China De-risking”, *Reuters*, August 20, 2023, <https://www.reuters.com/markets/europe/germany-wants-tighter-foreign-investment-controls-amid-china-de-risking-2023-08-20/>.

<sup>④</sup> Gouvernement, “Contrôle des investissements étrangers en France: publication de lignes directrices”, September 9, 2022, <https://presse.economie.gouv.fr/09-09-2022-controle-des-investissements-etrangers-en-france-publication-de-lignes-directrices/>.

security.<sup>①</sup>

It is noteworthy that on February 23, 2023, the European Commission announced a ban on the Chinese app TikTok within EU institutions. On June 15, the commission adopted a communication on implementation of the 5G cybersecurity toolbox, stating that it would no longer use telecommunications services from Huawei and ZTE, and urging member states to exclude these Chinese companies from their domestic telecommunications markets. On January 24, 2024, the EU released *White Paper on Export Controls*, *White Paper on Outbound Investment Screening*, and a proposal for more stringent investment screening regulations, reiterating the need for consultations and coordination with partner countries to diversify supply chains, which had previously been concentrated in a small number of “third countries”. The EU seeks to collectively counter any attempts by “third countries” to disrupt these supply chains. These measures are poised to have a profound impact on the EU’s external supply chain distribution and exert a negative influence on China-EU economic and trade relations.

### **(3) At Diplomatic and Strategic Level**

Since taking office, the Biden administration has embarked on a “small-group” multilateralism approach, building collaborative frameworks with varying degrees of closeness, categorized as “allies”, “partners”, and “generally friendly countries”. This approach seeks to solidify the existing US alliance system, influence the Global South, and gradually sideline China through “salami slicing tactics”. To ensure its supply chain security, the Biden administration has initiated the establishment of sector-specific technological and industrial alliances since 2021, such as the Minerals Security Partnership and the so-called “Chip 4 Alliance” between the US, Japan, South Korea, and Taiwan. It has also persistently promoted international economic cooperation mechanisms, including the Indo-Pacific Economic Framework (IPEF) and the Partnership for Global Infrastructure and Investment (PGII), with the apparent intention of counterbalancing China’s Belt and Road Initiative. Although the Biden

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<sup>①</sup> Wet van 18 mei 2022, houdende regels tot invoering van een toets betreffende verwervingsactiviteiten die een risico kunnen vormen voor de nationale veiligheid gezien het effect hiervan op vitale aanbieders, beheerders van bedrijfspcampussen of ondernemingen die actief zijn op het gebied van sensitieve, Staatsblad 2022, 215, Jaargang 2022, pp. 1-34.

administration's focus is primarily on the Asia-Pacific region, the EU holds a significant position within the US-led supply chain security cooperation system as a traditional ally. While the EU has played a role in amplifying US efforts in economic diplomacy surrounding China and the Global South, it has also pursued its own economic diplomacy agenda with three key focuses aligned with its intentions regarding external supply chain configuration. Firstly, the EU has been actively pursuing bilateral technology and industry coordination mechanisms with industrialized nations within the Western bloc besides running the Trade and Technology Council (TTC) and negotiations for a critical minerals agreement with the US. Between 2022 and 2023, the EU established digital partnerships with Singapore, Japan, and South Korea and held annual bilateral meetings between them. It has also engaged in dedicated dialogs with Japan on certain industries, such as advanced materials manufacturing and cross-border data flows. Secondly, the EU has participated in US-led multilateral development assistance frameworks targeted at the Global South, investing in transportation infrastructure in resource-rich countries. In September 2023, the EU followed the US in issuing a statement announcing their joint efforts to build an India-Middle East-Africa economic corridor. The EU has also pledged to invest in constructing the Lobito Corridor railway infrastructure with Angola, Zambia, and the Democratic Republic of Congo. Thirdly, the EU has intensified its economic diplomacy efforts in Africa and Latin America, focusing on "raw materials diplomacy" within the framework of its "Global Gateway" initiative. Between 2022 and 2024, the EU established raw materials partnerships with several African nations, including Namibia, the Democratic Republic of Congo, Zambia, and Rwanda, as well as with Latin American countries, including Argentina and Chile. On July 17, 2023, the EU hosted the first summit between the EU and the Community of Latin American and Caribbean States (CELAC) in eight years. The EU has utilized its global remote sensing environmental monitoring system, also called "Copernicus System", to assist Argentina in mineral exploration.

## **5. Implications of EU's Supply Chain Security Strategy on China-EU Relations**

As China-US competition intensifies and China's role in global supply chains grows, economic competition between China and the EU is also escalating. The EU's positioning

toward China-EU relations has shifted, increasingly perceiving China as a threat, inevitably leading to mounting obstacles and challenges in their bilateral relations. Considering the differing strategic cultures between the US and the EU, China-EU relations are unlikely to see the sharp fluctuations that characterize China-US relations. Instead, China-EU relations are likely to cool gradually, with tensions simmering beneath the surface in a more subtle, less dramatic manner. At the same time, Europe is becoming more influenced by the US, with US-EU cooperation becoming increasingly institutionalized. **In this context, Europe's current push for a supply chain security strategy concerning China, driven by the concept of "de-risking", and its efforts to counter perceived "hybrid threats" from China using a "mixed policy toolbox" will have the following impacts on EU-China relations:**

Firstly, the EU's supply chain security and economic security strategies effectively serve as a flanking maneuver supporting US efforts to contain China's technological and economic advancement. Its approach will inevitably hinder China's technological progress and industrial upgrading, disrupt China's sustainable, high-quality economic growth, and strain China-EU relations. Chinese enterprises will encounter growing barriers in their European mergers and acquisitions, greenfield investments, and technology transfers in industrial sectors related to "emerging disruptive technologies" such as artificial intelligence and quantum computing, including semiconductors, telecommunications equipment, and computers. The EU released its second report on "significant state-induced distortions" in the Chinese economy and initiated an anti-subsidy investigation against Chinese electric vehicle and locomotive manufacturers in early 2024, further highlighting this trend and signaling a notable cooling of China-EU scientific and technological cooperation. As a result, opportunities for high-tech research and development, trade, and investment between China and the EU will shrink, limiting China's access to external resources crucial for its technological advancement and industrial upgrading.

Secondly, the EU's continuous efforts to secure supply chains for "strategic" and "critical" raw materials and infrastructure serve a dual purpose. On one hand, the EU aims to reduce its dependence on China by diversifying its sources of critical raw materials. On the other hand, there is growing concern over Chinese investments in European infrastructure, with an increasing focus on preventing China from acquiring "strategic

assets” within Europe. This indicates that economic cooperation between China and the EU will face more obstacles, not only in high-tech sectors but also in general trade and investment. Chinese investment in Europe has significantly declined since 2020. Data from organizations like Rhodium Group and EY show that total Chinese investment in Europe, including the EU and UK, dropped by 4% in 2023 compared to 2022, marking its lowest point since 2010. Chinese mergers and acquisitions in Europe also saw a 6.7% decline over 2022. Furthermore, the European Union’s regulatory oversight of the telecommunications sector has progressively expanded to encompass the entire Information and Communication Technology (ICT) sector, reflecting its increasing focus on network and supply chain security. The ‘Network and Information Security Directive (NIS2)’ serves as a concrete manifestation of this trend, with its scope covering 18 vertical industries. This initiative aims to enhance cybersecurity capabilities and technological autonomy; however, it also introduces new market entry barriers and complex compliance requirements for enterprises. The ‘ICT Supply Chain Toolbox’, established to guide the implementation of NIS2, is set to be released in early 2025. There is a significant likelihood that it will emulate the ‘5G Toolbox’ by incorporating discriminatory non-technical evaluation factors based on the country of origin, further excluding Chinese companies from the ICT supply chain. As a result, European countries are increasingly tightening restrictions on Chinese telecom companies’ operations within the EU, severely impacting their market share and growth prospects. Denmark, Sweden, Estonia, Latvia, Lithuania, and the UK have banned Huawei and ZTE from their 5G networks. The EU further intensified these restrictions with its ban on these companies issued on June 15, 2023.<sup>①</sup> As Europe advances its supply chain security and economic security strategy, such impediments to EU-China economic cooperation will continue to intensify.

**Thirdly**, the EU’s efforts to strengthen the “resilience” of supply chains for “critical raw materials” involve working closely with the US to ramp up economic diplomacy in regions like Africa and Latin America. This includes providing aid, significantly increasing infrastructure investments, and creating “small-group” cooperation

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<sup>①</sup> “EU Commission Bans Huawei, ZTE, Urges Countries to do the Same”, *Euractiv*, June 16, 2023, <https://www.euractiv.com/section/cybersecurity/news/eu-commission-bans-huawei-zte-urges-countries-to-do-the-same/>.

frameworks. These moves will inevitably add pressure and create new challenges for China's strategic relationships and economic partnerships in these regions. Particularly, China's Belt and Road Initiative will encounter increased resistance and pressure in these regions. As a result, China's strategic flexibility in its competition with the US will be constrained, casting a heavier shadow over the already cooling EU-China relations.

Originally, the concept of a supply chain was framed within the context of multinational production and international trade by companies, referring to the network of nodes in global production and resource allocation. It was primarily a "technical" term without notable "strategic" implications. However, with the intensification of geopolitical competition among powers, the supply chain concept has entered the purview of national political decision-makers, becoming a critical factor requiring deep consideration and weighing. Since 2016, the growing US trade deficit with China and the worsening "industrial hollowing out" in the US have led the Obama and Trump administrations to introduce frameworks like the Trans-Pacific Partnership and the US-Mexico-Canada Agreement. These efforts were designed to reduce economic ties with China through "friend-shoring" and "reshoring" strategies, ultimately restructuring the US global supply chain and achieving "decoupling" from China.

Although the EU's economic size approximates that of the US, its economic external dependence has consistently been higher than that of the US due to differences in resource endowment and population aging levels. This dependence has kept growing, making it more challenging for the EU to implement "reshoring" on the same scale as the US. A November 2023 report by the Ifo Institute of Germany revealed that the value of foreign input factors as a percentage of total output was 6.5% for the US and 8% for the EU in 2007. By 2022, this figure had remained relatively stable for the US at around 6.2%, but increased to 12% for the EU. This heightened external dependence means that a sudden and drastic reduction in foreign trade and the implementation of "reshoring" would result in a 4.7-5% decrease in real per capita income for the EU, along with a roughly 20% decline in the value added of the manufacturing sector.<sup>①</sup> A March 2024 report by the Centre for Economic Policy Research of the UK indicated that a sudden

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<sup>①</sup> Andreas Baur et. al., "Rethinking Geoeconomics: Trade Policy Scenarios for Europe's Economy", EconPol Policy Report 44, November 2023.

“decoupling” from China would lead to a 5% reduction in German GDP.<sup>①</sup> Recognizing these challenges, Ursula von der Leyen, in the Political Guidelines for her new term, announced on July 18, 2024, that the EU would pursue “de-risking” but not “decoupling”. The EU is expected to gradually restructure its supply chains in the coming years. While there may not be abrupt changes in trade and investment with China, trade protection and investment screening measures are likely to intensify over time.

As some scholars have observed, Europe appears to have “abandoned Kantian liberalism and embraced Hobbesian realism”, ushering in a “geoeconomic revolution”.<sup>②</sup> In doing so, Europe is moving away from the neoliberal economic globalization model it once championed and actively engaging in power competition, particularly in technology and economics. The strategic triangle of China-US-EU competitive dynamics is rapidly evolving. Due to the complementary nature of resource endowments in China and the EU and the historical tensions between the US and the EU, Europe is likely to continue balancing between China and the US, seeking the most advantageous position to benefit from both sides. Therefore, China must continue to patiently advance its relations with the EU and strive to expand bilateral cooperation, thereby securing the maximum possible strategic maneuverability in its competition with the US.

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<sup>①</sup> David Baqaee et. al., “What if? The Effects of a Hard Decoupling from China on the German Economy”, Kiel Policy Brief, No. 170, January 2024.

<sup>②</sup> Matthias Matthijs and Sophie Meunier, “Europe’s Geoeconomic Revolution: How the EU Learned to Wield Its Real Power”, *Foreign Affairs*, Vol. 102, No. 5, 2023, pp. 175-177.



# **Challenges of Geopolitical Shifts**





# Consensus and Divergence in China-EU Perceptions of Current Geopolitical Crises

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Since the 2016 Brexit referendum and the election of Donald Trump as the 45th President of the US, the world has embarked on an accelerated deviation from the logic of economic globalization, steadily sliding towards geopolitical dominance as the defining theme of the era. The *Blackwell Encyclopedia of Political Science* defines geopolitics as the study of nations as three-dimensional spatial phenomena in order to understand the geographical foundations of national power, examining the behavior of nations against a backdrop of such characteristics as territory, climate, organic and inorganic resources, geographic location, and demographical features (such as population distribution, cultural attributes, economic activities, and political structures). Each nation is viewed as a component of the global political space, and the resulting patterns of international relations constitute a key component of the study.<sup>①</sup> That is, national governments, rather than transnational corporations and international organizations, have re-emerged as the absolute protagonists of international relations. Competition between countries, zero-sum games, and strategic alliances have become the dominant models of interaction among members of the international community, eclipsing the United Nations-centric governance and consultation model. Armed conflicts and military confrontations are on the rise, becoming more common, while international law has lost much of its authority and legitimacy. These clear signs of geopolitical resurgence, rather than fading after the COVID-19 pandemic, have only become more pronounced and frequent, continually revealing the realist face to the world.

China and the EU are located at opposite ends of the Eurasian continent and do not share a direct geographical border. Additionally, with Macau's return in 1999, all remaining

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<sup>①</sup> David Miller and Vernon Bogdanor (Eds.), *The Blackwell Encyclopedia of Political Science (Revised)* (Deng Zhenglai et al., Trans.), Beijing: China University of Political Science and Law Press, 2002, p. 308.

territorial issues from the colonial era were fully resolved, precluding any direct geographic or territorial concerns between the two sides. However, geopolitical and geosecurity hot spots inevitably exert an indirect influence on the relationship between China and the EU, two of the world's top three economies. Their perspectives on these issues reflect their respective geopolitical outlooks and strategic approaches. The Ukrainian crisis, the Israeli-Hamas conflict, and the South China Sea disputes are three prominent geopolitical issues that currently impact China-EU relations, serving as the focal points for this article, which will delve into the distinct positions of China and the EU on each of these issues.

## **1. Ukrainian Crisis**

On February 24, 2022, the Russo-Ukrainian conflict erupted, with Russia launching what it called a “special military operation” against Ukraine that has now continued for over two and a half years. In late September 2022, referendums were held in the Ukrainian regions of Donetsk, Luhansk, Zaporizhzhia, and Kherson, resulting in votes to join Russia. Russian President Vladimir Putin subsequently signed treaties formally incorporating these regions into Russia as sovereign territories. In early August 2024, Ukrainian forces advanced into Russia's Kursk Oblast, seizing approximately 1,000 square kilometers of land. The Ukrainian crisis has shown a possibility of escalation and expansion, marking it as the most significant geopolitical crisis in Europe since World War II.

The EU, along with European countries like France and Germany, has set aside the “Normandy Format” used during the 2014 Crimean crisis to mediate Russo-Ukrainian relations and limit the conflict's scale. Instead, they have forged a close alliance with the United States, supplying military and economic aid to Ukraine while enforcing economic sanctions and diplomatic measures to contain Russia. The EU has broken the long-standing tradition of refraining from arming warring parties by transferring massive weapons and military supplies to Ukraine. Additionally, the EU has imposed unprecedented sanctions on Russia, targeting economic, social, cultural, and sports sectors. Measures taken by the EU include freezing Russian foreign currency reserves, seizing assets of Russian oligarchs, removing certain Russian banks from the SWIFT financial system, opting to endure energy shortages instead of importing Russian coal, oil, and gas, and expelling Russia from the Council of Europe and the UN Human Rights

Council. Russian athletes and teams have been barred from events like the Winter Paralympics, Figure Skating World Championships, and FIFA World Cup qualifiers. Even Russian cats have not escaped sanctions imposed by the International Feline Federation, an organization influenced by Western interests. The ongoing Russo-Ukrainian conflict plays out on two distinct battlefields, each possessing a unique character. The main battlefield is in Ukraine, where Russia and Ukraine are engaged in conventional military combat. However, a secondary battlefield exists away from the front line, devoid of bloodshed and the sound of weaponry. This is an intense economic and propaganda war fought behind the scenes. In this arena, the US and Europe have formed a strong security alliance. On one front, they provide Ukraine with vital military and economic support to prevent its defeat. On another, they wield the “big stick” of sanctions, targeting Russia’s national economy and key individuals in ways deviating from the basic principle of *pacta sunt servanda*. Meanwhile, the US and EU employ both multilateral and bilateral activities, coupled with media campaigns to pressure China, forcing China to align with their sanctions against Russia and “take sides”.

Europeans generally view Putin’s “special military operation” as a direct challenge to the post-Cold War European security order. In a speech to the German Bundestag on February 27, 2022, German Chancellor Olaf Scholz stated, “With the attack on Ukraine, Putin is not just seeking to wipe an independent country off the map. He is demolishing the European security order that had prevailed for almost half a century since the Helsinki Final Act”.<sup>①</sup> This security order is actually a Western-led “peace” framework shaped by the US and Western Europe, characterized by the steady expansion of Western influence into the post-Soviet space, followed by NATO and EU enlargement in the name of so-called “human rights”, “freedom”, and “democracy”. When Russia responded forcefully to protect its security space, the US and Europe quickly claimed, “Putin has pushed Russia further away from the civilized world.” As sanctions against Russia became “politically correct”, Europe distanced itself from economic interdependence with Russia, which was far stoner than US-Russia relations. Germany, for instance, scrapped the Nord

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<sup>①</sup> Olaf Scholz, “Policy Statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag, 27 February 2022 in Berlin”, *The Federal Government*, February 27, 2022, <https://www.bundesregierung.de/breg-en/news/policy-statement-by-olaf-scholz-chancellor-of-the-federal-republic-of-germany-and-member-of-the-german-bundestag-27-february-2022-in-berlin-2008378>.

Stream 2 gas pipeline, a nearly EUR 100 billion project capable of transporting 55 billion cubic meters of gas per year. The EU, as a whole, began purchasing more expensive American liquefied natural gas, which is transported by ship, significantly increasing delivery times.

Furthermore, Russia's use of military force has instilled deep fear in many Eastern and Northern European countries, significantly heightening their sense of insecurity. If Ukraine were to become neutral or a vassal state, allowing Russian troops to deploy on Ukrainian soil, Russia would gain a strategic advantage. From Ukraine's frontline position, Russian tank divisions could reach the capitals of eight Eastern and Northern European countries within five hours, shifting NATO's stance from offensive to defensive. This potential threat has caused ongoing anxiety among these "new frontline" countries, leaving them in a constant state of alert. As a result, Sweden and Finland, countries that have maintained a policy of neutrality for over a century, have sought NATO membership in response to this heightened insecurity.

Moreover, the US has leveraged Europe's primary concern – security – to strengthen the US-led Euro-Atlantic security alliance centered on NATO, making the organization Europe's main pillar of support amid the Ukrainian crisis. Before Putin launched the "special military operation" in Ukraine's Donbas region on February 24, 2022, French President Emmanuel Macron and German Chancellor Olaf Scholz attempted to mediate a diplomatic solution through the "Normandy Format", proposing four-way talks involving France, Germany, Russia, and Ukraine to prevent the outbreak of war. However, the outbreak of the conflict intensified "Russophobia" across Europe, including in key countries like France and Germany. This sentiment enabled the US to successfully pull Europe closer, revitalizing NATO, which Macron had declared "brain-dead" just three years earlier. The EU and most European countries quickly aligned themselves with the US in both military and diplomatic realms. The transatlantic communication networks established by the Biden administration when taking office have also been crucial. The US National Security Council, Department of State, and Department of Commerce maintain frequent and close communication with their counterparts from the EU and European countries. Philip Singer, deputy national security advisor for international economics, mentioned that he holds weekly calls G7 leaders and engages in multiple daily conversations with Björn Seibert, chief of staff for European Commission President

Ursula von der Leyen.

Amid the overall collapse of US-Russia relations and EU-Russia ties, China has maintained a neutral position on the Russo-Ukrainian conflict, refraining from siding with either Russia or Ukraine (and the West). On March 18, 2022, during a video call with US President Joe Biden, Chinese President Xi Jinping proposed China's peace plan for Ukraine. He emphasized the immediate need for dialog and negotiations to reduce civilian casualties, prevent a humanitarian crisis, and secure a quick ceasefire. A lasting solution requires major powers to respect each other, abandon Cold War mentalities, refrain from bloc confrontations, and gradually create a balanced, effective, and sustainable global and regional security framework. China consistently makes independent and autonomous judgments by addressing issues based on their inherent rightness or wrongness, champions adherence to international law, the core principles of international relations, and the UN Charter, and promote a vision of common, comprehensive, cooperative and sustainable security. Resolving the Russo-Ukrainian conflict requires respecting Ukraine's sovereignty and territorial integrity, upholding the indivisible security, and addressing Russia's security concerns. Only by restoring balance to Europe's security landscape and ensuring impartiality in its security frameworks can the underlying grievances and anxieties of both sides be addressed, paving the way for a truly lasting and stable peace in Europe.<sup>①</sup> China's peace efforts and proposals have gained recognition from both Russia and Ukraine. Russia's foreign minister expressed appreciation for China's impartial and objective stance, while Ukrainian Foreign Minister Dmytro Kuleba, in an interview with Xinhua News Agency on April 30, 2022, stated that China did not pursue geopolitical aims or add fuel to the fire, which was a responsible stance. "Our suggestion for China to be one of the guarantors of Ukraine's security, is a sign of our respect for and trust in the People's Republic of China", he said.<sup>②</sup> As Russia's largest trading partner and Ukraine's biggest trading counterpart, China is the largest importer of Ukrainian agricultural products and has provided humanitarian aid to Ukraine. In the early stages of the conflict, the Ukrainian government assisted in

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<sup>①</sup> Cao Ran, "The Call Between Chinese and American Heads of State, From 'Sitting down to Talk' to Smooth Dialog", *China Newsweek*, March 19, 2022, <https://www.inewsweek.cn/world/2022-03-21/15310.shtml>.

<sup>②</sup> Ukrainian Foreign Minister Dmytro Kuleba Gives an Exclusive Interview to Xinhua News Agency, Xinhuanet, April 30, 2022, [http://www.news.cn/world/2022-04/30/c\\_1128610853.htm](http://www.news.cn/world/2022-04/30/c_1128610853.htm).

evacuating Chinese citizens, particularly students. In July 2024, during a meeting in Guangzhou with Ukrainian Foreign Minister Dmytro Kuleba, Chinese Foreign Minister Wang Yi expressed appreciation for these efforts and encouraged Ukraine to continue taking effective steps to ensure the safety of Chinese personnel and institutions within its borders. China's stance on the Russo-Ukrainian conflict is in line with that of many developing countries, often referred to as the "Global South". The "six-point common understandings" between China and Brazil on a political settlement of the Ukraine crisis released in 2024 has drawn significant global attention. The six points are:

1. *The two sides call on all relevant parties to observe three principles for deescalating the situation, namely no expansion of the battlefield, no escalation of fighting and no provocation by any party.*
2. *The two sides believe that dialogue and negotiation are the only viable solution to the Ukraine crisis. All parties should create conditions for the resumption of direct dialogue and push for the deescalation of the situation until the realization of a comprehensive ceasefire. China and Brazil support an international peace conference held at a proper time that is recognized by both Russia and Ukraine, with equal participation of all parties as well as fair discussion of all peace plans.*
3. *Efforts are needed to increase humanitarian assistance to relevant regions and prevent a humanitarian crisis on a larger scale. Attacks on civilians or civilian facilities must be avoided, and civilians including women and children and prisoners of war (POWs) must be protected. The two sides support the exchange of POWs between the parties to the conflict.*
4. *The use of weapons of mass destruction, particularly nuclear weapons and chemical and biological weapons must be opposed. All possible efforts must be made to prevent nuclear proliferation and avoid nuclear crisis.*
5. *Attacks on nuclear power plants and other peaceful nuclear facilities must be opposed. All parties should comply with international law including the Convention on Nuclear Safety and resolutely prevent man-made nuclear accidents.*
6. *Dividing the world into isolated political or economic groups should be opposed. The two sides call for efforts to enhance international cooperation on energy, currency, finance, trade, food security and the security of critical infrastructure, including oil and gas pipelines, undersea optical cables, electricity and energy*



*facilities, and fiber-optic networks, so as to protect the stability of global industrial and supply chains.*<sup>①</sup>

Though not directly involved in the Ukrainian crisis and geographically distant from the conflict zone, China is highly aware of the “butterfly effect” the war has created in East Asia. Upon taking office, US President Biden adopted a different approach while sharing the goal of containing China with his predecessor, Trump. Instead of unilateralism, Biden has focused on building coalitions to rally the EU, European countries, and countries across the Indo-Pacific, including Japan, South Korea, Australia, and even India, to engage in a “collective encirclement” of China. The outbreak of the Russo-Ukrainian conflict has strengthened the US’s security influence across Europe and Asia. Rising geopolitical tensions have highlighted the importance of the US military “umbrella”. NATO members and countries holding security treaties with the US have become increasingly reliant on American defense systems and security assurances and intensified distrust toward China. While Germany, France, South Korea, and India, among others, have not explicitly “taken sides” between the US and China, they have expressed no objection to NATO’s invitation to East Asian countries, like Japan and South Korea, for deeper integration into the NATO framework. These countries have also acquiesced to greater European involvement in the Indo-Pacific region. This effectively aligns with US intentions of bolstering cooperation within its alliance system, enhancing interoperability of military forces, and strengthening intelligence systems.<sup>②</sup>

Despite the US characterizing China as the “most serious long-term challenge to the world order”, repeatedly citing alleged Chinese “threats”, and the Biden administration’s

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<sup>①</sup> Ministry of Foreign Affairs of the People’s Republic of China, “Common Understandings Between China and Brazil on Political Settlement of the Ukraine Crisis”, May 23, 2024, [https://www.fmprc.gov.cn/wjb\\_673085/zzjg\\_673183/xws\\_674681/xgxw\\_674683/202405/t20240523\\_11310686.shtml](https://www.fmprc.gov.cn/wjb_673085/zzjg_673183/xws_674681/xgxw_674683/202405/t20240523_11310686.shtml).

<sup>②</sup> At a high-level military meeting held on April 26, 2022, at Ramstein Air Base in Germany to discuss aid for Ukraine, Representatives from 40 countries, including Japan, South Korea, and several African and Middle Eastern countries, followed US guidance in coordinating the distribution of military supplies to Ukraine. The critical role of US and NATO intelligence support in the Russo-Ukrainian conflict spurred South Korea's National Intelligence Service to join NATO's cyberwarfare organization, the Cooperative Cyber Defence Centre of Excellence (CCDCOE) in Tallinn, Estonia, making it the group's first Asian member. On May 5, 2022, Japan signed a reciprocal access agreement with the United Kingdom, similar to agreements previously signed with the US and Australia, enabling the countries to deploy military forces jointly for training exercises. Japan’s growing military intelligence partnership with the US is quickly approaching the level of integration seen in the “Five Eyes” alliance.

approach of “reshaping China’s environment” by building alliances and partnerships to contain it,<sup>①</sup> China has chosen not to align with Russia or engage in direct confrontation with the US. and Europe amid the Russo-Ukrainian conflict. Instead, with the vision of building a community with a shared future for humankind, China remains committed to an open stance, supporting an UN-centered international system, an order rooted in international law, and the core principles of international relations established in the UN Charter. Embracing true multilateralism, China has proposed the “Global Security Initiative” for global security governance, reaffirming its commitment to the international community.<sup>②</sup> China is a staunch defender of the international order and a steadfast practitioner of multilateralism. The Russo-Ukrainian conflict does not align with China’s national interests. China seeks an end to the hostilities, a ceasefire, and a reduction in civilian casualties and refugee displacement as early as possible. Mutual sanctions between the West and Russia have further complicated global economic recovery, including the Chinese economy, which is already grappling with the repercussions of the COVID-19 pandemic.

## **2. Israeli-Palestinian Conflict**

On October 7, 2023, the Palestinian Islamic Resistance Movement (Hamas) launched a military operation code-named “Al-Aqsa Flood” against Israel, resulting in the deaths of approximately 1,200 Israeli civilians and military personnel. Additionally, approximately 250 individuals were taken captive by Hamas and other Palestinian armed groups in the Gaza Strip. Israel immediately declared a state of war and initiated Operation Iron Swords, targeting Hamas positions in the Gaza Strip. Israel mobilized hundreds of thousands of reserve personnel to impose a comprehensive blockade and launch a full-scale offensive on the Gaza Strip. This marked Israel’s first declaration of war against Hamas in 50 years, since the 1973 Yom Kippur War. As of September 2, 2024, Israel’s military operation in Gaza has resulted in the deaths of 40,786 Palestinians and injuries to 94,224 others, creating a severe humanitarian crisis, including the tragic loss of life

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<sup>①</sup> Anthony J. Blinken, “The Administration’s Approach to the People’s Republic of China”, *US Department of State*, May 26, 2022, <https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china/>.

<sup>②</sup> Wu Xiaodan, “Global Security Initiative: China’s Solution to Addressing the Security Deficit”, *Guangming Daily*, June 20, 2022.

among UN and NGO workers. In the immediate aftermath of this major geopolitical event, the EU's response was marked by inconsistency. Following Hamas's attack on Israel on October 7, 2023, EU Commissioner for Neighbourhood and Enlargement Oliver Varhelyi announced on October 9 that aid to Palestine would be suspended. However, the EU later clarified that aid would not be cut off but would instead undergo a review. On October 13, European Commission President Ursula von der Leyen and European Parliament President Roberta Metsola visited Israel at the invitation of its government. During their visit, they expressed "unconditional support" for Israel and offered condolences to the victims of Hamas attacks but did not call for restraint in Israel's response in Gaza. Their stances led to significant dissatisfaction among other EU officials. On October 14, EU High Representative for Foreign Affairs and Security Policy Josep Borrell clarified that Ursula von der Leyen's comments on the Israeli-Palestinian conflict did not reflect the official EU position. He emphasized that the EU's foreign policy is determined by its member states, not by the European Commission or its President. On October 15, the Council of the European Union held an emergency meeting, releasing an official statement, "The European Union condemns in the strongest possible terms Hamas and its brutal and indiscriminate terrorist attacks across Israel and deeply deplores the loss of lives. There is no justification for terror". The EU strongly emphasized Israel's right to defend itself in line with humanitarian and international law while reiterating the importance of ensuring the protection of all civilians at all times in line with International Humanitarian Law. The EU called on Hamas to immediately release all hostages without any precondition, reiterated the importance of the provision of urgent humanitarian aid, and promised to continue supporting those civilians most in need in Gaza in coordination with partners, ensuring that such assistance is not abused by terrorist organizations. The EU reaffirmed its commitment to a lasting and sustainable peace based on the two-state solution through reinvigorated efforts in the Middle East Peace Process. The EU underlines the need to engage broadly with the legitimate Palestinian authorities as well as regional and international partners who could have a positive role to play in preventing further escalation.<sup>①</sup>

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<sup>①</sup> European Council, "Statement of the Members of the European Council on the Situation in the Middle East", October 15, 2023, <https://www.consilium.europa.eu/en/press/press-releases/2023/10/15/statement-agreed-by-the-27-members-of-the-european-council-on-the-situation-in-the->

European countries have shown clear differences in their approaches to the Israeli-Palestinian conflict. On May 22, 2024, after months of deliberation, Norway, Ireland, and Spain announced their recognition of a Palestinian state. This resolution, effective on May 28, acknowledges the State of Palestine must be viable with the West Bank and Gaza connected by a corridor and with East Jerusalem as its capital. These nations had intended to recognize Palestine only after a peace settlement was reached between Israel and Palestine. However, the tensions kept deteriorating. Israel continued building illegal Jewish settlements in the West Bank and Gaza Strip, imposing a military blockade on Palestinian autonomous territories, and turning the Gaza region into what the United Nations has described as “the world’s largest open-air prison”. The conflict that erupted on October 7, 2023, between Hamas and Israel has further exacerbated tensions. While nearly 1,200 Israeli civilians lost their lives on the day, the death toll in the Gaza Strip had surpassed 40,000 Palestinians, approximately two-thirds of whom are women and children. Palestinian refugees in Gaza have endured repeated displacements by Israeli forces, facing life-threatening conditions, severe food shortages, and an “unprecedented health emergency”. Despite the growing humanitarian crisis in Gaza and widespread international condemnation, Israeli Prime Minister Benjamin Netanyahu’s government has shown little regard for these concerns. In response, some European countries have recognized the need to shift away from their previous “wait-and-see” approach and align with the broader UN call for the recognition of a Palestinian state. Norwegian Foreign Minister Anniken Huitfeldt expressed hope that, in the long term, recognizing Palestine as a state will encourage all parties to restart peace talks and work toward a lasting solution to Palestine’s status. Spanish Prime Minister Pedro Sánchez emphasized that his country's decision is rooted in a commitment to “peace and justice”. Irish Prime Minister Leo Varadkar affirmed that recognizing the State of Palestine could foster peace and reconciliation in the Middle East, which he described as the only viable path toward lasting peace and security for both Israelis and Palestinians.

Prior to this, eight out of the 27 EU member states had already recognized Palestine, but the majority of these recognitions were historical legacies of the socialist bloc during the Cold War era. Within the Western bloc, only Cyprus and Sweden had recognized

Palestine. Sweden was the only country that recognized Palestine after it joined the EU. Defying opposition from both Israel and the US, Norway, Ireland, and Spain firmly joined the ranks of those recognizing the State of Palestine. Their decision has strengthened the voices within Europe advocating the restoration of the Palestinian people's legitimate national rights and is expected to increase diplomatic pressure on Israel, helping to steer the Israeli-Palestinian issue toward a fair resolution grounded in a "two-state solution".

China's diplomatic stance and approach to this latest round of the Israeli-Palestinian conflict closely align with those of the EU, especially with European countries that support Palestinian statehood. President Xi Jinping stated China's principled position on the current Palestinian-Israeli situation on a number of occasions. He stressed the need for an immediate ceasefire and ending the fighting, ensuring that the humanitarian corridors are safe and unimpeded and preventing the expansion of the conflict. He pointed out that the fundamental way out of this lies in the two-state solution, building international consensus for peace, and working toward a comprehensive, just and lasting settlement of the Palestinian question at the earliest opportunity. China believes that a comprehensive ceasefire and ending the fighting is paramount. Parties to the conflict should truly implement the relevant UNGA and UNSC resolutions and immediately realize a durable and sustained humanitarian truce. The Security Council shoulders primary responsibility for the maintenance of international peace and security. Implementing a comprehensive ceasefire and ending the fighting. Building on UNSC Resolution 2712, the Security Council, in response to the calls of the international community, should explicitly demand a comprehensive ceasefire and end of the fighting, work for de-escalation of the conflict, and cool down the situation as soon as possible. All parties should effectively protect civilians. It is imperative to stop any violent attacks against civilians and violations of international humanitarian law, and avoid attacks on civilian facilities. The Security Council should further send a clear message on opposing forced transfer of the Palestinian civilian population, preventing the displacement of Palestinian civilians, and calling for the release of all civilians and hostages held captive as soon as possible. It is important to ensure humanitarian assistance. All relevant parties must, as per requirements of the UNSC resolution, refrain from depriving the civilian population in Gaza of supplies and services indispensable to their survival, set up

humanitarian corridors in Gaza to enable rapid, safe, unhindered and sustainable humanitarian access, and avoid a humanitarian disaster of even greater gravity. The Security Council should urge the international community to ramp up humanitarian assistance, improve the humanitarian situation on the ground, and support the coordinating role of the United Nations as well as the UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA) in humanitarian assistance, and prepare the international community for supporting post-conflict reconstruction in Gaza. To enhance diplomatic mediation, the Security Council should leverage its role in facilitating peace as mandated in the UN Charter to demand that parties to the conflict exercise restraint to prevent the conflict from widening and uphold peace and stability in the Middle East. The Security Council should value the role of regional countries and organizations, support the good offices of the UN Secretary General and the Secretariat, and encourage countries with influence on parties to the conflict to uphold an objective and just position so as to jointly play a constructive role in deescalating the crisis. The fundamental settlement of the question of Palestine lies in the implementation of the two-state solution, restoration of the legitimate national rights of Palestine, and the establishment of an independent State of Palestine that enjoys full sovereignty based on the 1967 border and with east Jerusalem as its capital. The Security Council should help restore the two-state solution. A more broad-based, authoritative and effective international peace conference led and organized by the UN should be held as soon as possible to formulate a concrete timetable and roadmap for the implementation of the two-state solution and facilitate a comprehensive, just and lasting solution to the question of Palestine. Any arrangement on the future of Gaza must respect the will and independent choice of the Palestinian people, and must not be imposed upon them.

Regarding the Israeli-Palestinian conflict, which is unfolding in the Middle East, both China and the EU can adopt a perspective grounded in the spirit of building a community of shared future for mankind, focusing on political solutions over military ones and striving to alleviate humanitarian suffering. Both should approach the conflict's causes and outcomes rationally and objectively, condemn Hamas's attacks on Israeli civilians, and express deep sympathy for the suffering endured by Palestinians under Israel's prolonged blockade and control over the Gaza Strip and West Bank. Apart from some differences on whether to formally designate Hamas as a terrorist organization, China

and European countries like Spain hold largely consistent positions on the Israeli-Palestinian issue. The EU and its member states, along with China are all significant financial contributors to the Palestinian Authority. 139 out of 193 UN member states have acknowledged its legitimate status since the Palestine Liberation Organization declared the establishment of a Palestinian state in 1988. Following the recognition of Palestine by China and a vast number of developing nations, an increasing number of European countries are considering a departure from their previous alignment with the US, opting for a direct and unilateral recognition of Palestine. The number of EU member states recognizing Palestine is poised to reach 13, nearing half of the community's 27 member states. In February 2024, French President Emmanuel Macron declared that recognizing Palestine is no longer a "taboo" for France. France has consistently supported resolutions at the UN Security Council and General Assembly concerning Palestine's accession to the United Nations, demonstrating a generally positive and proactive stance.

Unlike the Russo-Ukrainian conflict, where Europe's military dependence on the United States is more pronounced, Europe's position on the Israeli-Palestinian issue allows for greater autonomy in making decisions based on international law and humanitarian principles. This is particularly evident among smaller European countries, which have expressed deep empathy for the suffering of Palestinians and condemn Israel's aggressive actions. These countries are increasingly aligning with the majority of Southern nations in recognizing the State of Palestine. While countries like Germany and Greece remain cautious about recognizing Palestine, the European External Action Service has repeatedly called on Israel to comply with the UN International Court of Justice ruling, halt its military operations in Gaza, and allow UN investigators access to the region to investigate potential "genocide" by Israel and preserve critical evidence.

### **3. The South China Sea Dispute**

The South China Sea has again drawn intense attention from American and European leaders and extensive media coverage in the West, reinforcing its status as a "geopolitical hotspot" in Asia since Ferdinand Marcos Jr. assumed the Philippine presidency in 2022, succeeding Rodrigo Duterte. Despite occasional "cold collisions" between coast guard vessels, this "the most volatile and potentially dangerous security hotspot in the Asia

Pacific”,<sup>①</sup> which has been the subject of heated rhetoric for over two decades, has never escalated into an actual conflict, in contrast to recent crises in Europe and the Middle East.

Historically, the South China Sea was part of China’s “all under heaven” tributary system. Before the arrival of Western colonists, China and its neighbors around the South China Sea established a regional order during the early Ming Dynasty, which was marked by shared development, friendly relations, and peaceful stability.<sup>②</sup> Before the emergence of modern nation-state and national border concepts, the islands and reefs, especially the Nansha Islands, remained largely open or semi-open due to China’s weak sovereignty over the maritime space, as well as internal divisions and a weak naval presence. There were no “South China Sea disputes” until the 1960s. Other than South Vietnam’s claims of “sovereignty” over the Nansha Islands, no country had contested China’s sovereignty over the maritime space. Countries like the Philippines, Malaysia, and Brunei did not make claims or take action concerning the Nansha Islands and surrounding waters. The Nansha region was relatively peaceful, primarily used by fishermen, and the international impact of disputes over the islands was minimal. Vietnam, the Philippines, and some other countries started to deploy troops on islands and reefs they claimed, gradually fueling the South China Sea dispute following the discovery of rich oil and gas reserves in the South China Sea in the late 1960s and early 1970s. The 1982 *UN Convention on the Law of the Sea* introduced concepts of exclusive economic zones, continental shelves, and island regimes. Countries like the Philippines, Vietnam, Malaysia, and Brunei sought broad interpretations of the convention's provisions, either claiming sovereignty over parts of the Nansha Islands by citing maritime jurisdiction or further claiming territorial seas, contiguous zones, exclusive economic zones, and continental shelves around the islands and reefs they illegally occupied. For example, Vietnam has delineated its exclusive economic zone and continental shelf to encompass a large portion of the South China Sea, including parts of the Xisha and Nanshan Islands, based on its domestic laws. During the Cold War, the United States maintained a neutral position on the dispute over

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<sup>①</sup> Eva Pejsova, “Introduction: Light at the End of the Tunnel?”, in Eva Pejsova (ed.), *Sense and Sensibility: Addressing the South China Sea Disputes*, EU Institute for Security Studies, 2016, p. 5, [https://www.iss.europa.eu/sites/default/files/EUISSFiles/Report\\_28\\_South\\_China\\_Sea.pdf](https://www.iss.europa.eu/sites/default/files/EUISSFiles/Report_28_South_China_Sea.pdf).

<sup>②</sup> Jia Qingjun, “Construction, Deconstruction, and Reconstruction of Regional Order in the South China Sea: Understanding from the Perspective of Sea Power”, *Pacific Journal*, No. 10, 2015, pp. 55-64.



Nansha Islands, as part of its strategy to secure China's support in its rivalry with the Soviet Union. After the Cold War ended, the US began to intervene actively in the South China Sea, starting with the 1995 Mischief Reef incident between China and the Philippines. The US strengthened its presence in the region and courted European alignment to coordinate interference to implement international containment measures against China. Up until the release of its second *Guidelines on the EU's Foreign and Security Policy in East Asia* in 2012,<sup>①</sup> the EU and its member states took no position on the conflicting claims in the South China Sea and continued to urge all parties to resolve their disputes through peaceful and cooperative means in accordance with international law, particularly the *UN Convention on the Law of the Sea* and to clarify the basis for their respective claims. Prompted by US encouragement, the Aquino administration in the Philippines unilaterally filed for arbitration against China over their South China Sea disputes in January 2013. The EU withheld clear political support for the Philippines' actions until 2015, a position that European think tank scholar Matthew Duchatel referred to as "principled neutrality".<sup>②</sup>

In 2016, the Permanent Court of Arbitration in The Hague overstepped its jurisdiction and neglected the minimal requirements of international dispute resolution rules and practices in rendering a ruling in favor of the Philippines. The EU soon shifted its approach to the South China Sea dispute. Moving away from its previous emphasis on resolving issues through negotiations and consultations, the EU began urging China to address maritime disputes through international arbitration and comply with decisions from relevant courts or tribunals. It also linked the South China Sea dispute to a "rules-based international order". By aligning more closely with US policies, the EU asserted it has a strong and legitimate interest in the continuation of free navigation and overflight and upheld its position on compliance with international law by China and all other countries involved.<sup>③</sup> Pursuing a coordinated "Indo-Pacific Strategy" with European

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<sup>①</sup> Council of the European Union, "Guidelines on the EU's Foreign and Security Policy in East Asia", June 15, 2012,

[https://eeas.europa.eu/archives/docs/asia/docs/guidelines\\_eu\\_foreign\\_sec\\_pol\\_east\\_asia\\_en.pdf](https://eeas.europa.eu/archives/docs/asia/docs/guidelines_eu_foreign_sec_pol_east_asia_en.pdf).

<sup>②</sup> Mathieu Duchâtel, "The European Union's 'Principled Neutrality' – Can It Achieve Anything?" in Eva Pejsova (ed.), *Sense and Sensibility: Addressing the South China Sea Disputes*, EU Institute for Security Studies, 2016, pp. 53-54.

<sup>③</sup> European Commission, "Frequently Asked Questions on EU-China Relations", June 1, 2017, [https://ec.europa.eu/commission/presscorner/detail/en/memo\\_16\\_2258](https://ec.europa.eu/commission/presscorner/detail/en/memo_16_2258).

allies, the Biden administration has actively heightened attention on the South China Sea dispute. The EU and European countries like Britain, France, and Germany have actively cooperated, frequently raising the South China Sea dispute through various channels and on various occasions. In 2023 and 2024, European Commission President Ursula von der Leyen visited the Philippines twice, repeatedly claiming that the escalating tensions in the Indo-Pacific region pose a global threat to all nations. While remaining silent on the Philippines' provocative actions and attempts to alter the status quo, the European External Action Service has condemned Chinese coast guard vessels for engaging in what it termed "dangerous maneuvers" against Philippine vessels in the South China Sea. The service claims these actions endanger maritime personnel and infringe upon freedom of navigation enshrined in international law and offers support to partner countries in exercising their legitimate rights. France, Germany, the UK, and Italy have participated in joint military exercises in the Asia-Pacific region, cooperating with the US in its so-called "freedom of navigation operations".

China and its neighboring countries in the South China Sea are the true stakeholders in the South China Sea dispute. In 2002, China and ASEAN signed the *Declaration on the Conduct of Parties in the South China Sea*, and subsequent efforts have been dedicated to implementing its provisions. Negotiations on a code of conduct in the South China Sea are progressing steadily through promoting consensus. The South China Sea dispute does not require internationalization. The US, the EU, and European countries are not parties to the South China Sea dispute and have no right to meddle in the matter. The EU claims strong and legitimate interest in the continuation of free navigation and overflight on the ground that around 40% of the EU's foreign trade passes through the South China Sea.<sup>①</sup> In contrast, over 60% of China's trade goods and energy products traverse the South China Sea, making China's stake in maintaining maritime traffic in the region far greater than that of the EU. As a matter of fact, the South China Sea has been the safest and freest waters in the world. The notion of "restricted navigation" is an entirely fabricated narrative, as no genuine impediments to freedom of navigation exist in the South China Sea. China views the "South China Sea Arbitration" as a politically motivated maneuver

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<sup>①</sup> Josep Borrell, "Why I Went to Jakarta and Why the Indo-Pacific Matters for Europe", *European Union External Action*, June 5, 2021, [https://eeas.europa.eu/headquarters/headquarters-homepage/99613/why-i-went-jakarta-and-why-indo-pacific-matters-europe\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/99613/why-i-went-jakarta-and-why-indo-pacific-matters-europe_en).

and a farce. The so-called ruling itself constitutes a serious violation of international law, particularly the *UN Convention on the Law of the Sea*. The EU's persistent amplification of the freedom of navigation issue and the "South China Sea Arbitration", in coordination with US efforts to provoke tensions in the South China Sea, contradicts the shared aspiration of countries in the region to preserve peace and stability in the South China Sea.

#### Conclusion: China-EU Consensus and Divergence on Geopolitical Crises

Amid ongoing geopolitical challenges, both China and the EU continue to uphold the international order centered around the United Nations and respect international law. This shared stance is clear in their responses to the three aforementioned hotspots. After the onset of the Russo-Ukrainian conflict, China released its *The Global Security Initiative Concept Paper*, calling on major countries to lead by example in honoring equality, good faith, cooperation and the rule of law, and in complying with the UN Charter and international law.<sup>①</sup> The first point of China's 12-point "China's Position on the Political Settlement of the Ukraine Crisis", issued by the Ministry of Foreign Affairs, emphasizes "Respecting the sovereignty of all countries. Universally recognized international law, including the purposes and principles of the United Nations Charter, must be strictly observed. The sovereignty, independence and territorial integrity of all countries must be effectively upheld".<sup>②</sup> While the South China Sea dispute concerns China's sovereignty and territorial integrity, China consistently pursues a peaceful resolution in line with the spirit of the UN Charter. It has engaged in negotiations with neighboring countries in the South China Sea to advance a code of conduct for parties in the South China Sea, strives for "setting aside disputes and pursuing joint development", upholds the *UN Convention on the Law of the Sea*, and works to ensure freedom of navigation and maritime safety in the region. In the conflicts involving Israel, Hamas, Lebanon, and Iran, China has joined forces with Spain and other European countries in upholding relevant UN Security Council resolutions and condemning attacks on civilians by Hamas and Israel, as well as Israel's perpetration of a humanitarian catastrophe in the Gaza Strip and its attacks on

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<sup>①</sup> The State Council of the People's Republic of China, *The Global Security Initiative Concept Paper* (full text), February 21, 2023, [https://www.gov.cn/xinwen/2023-02/21/content\\_5742481.htm](https://www.gov.cn/xinwen/2023-02/21/content_5742481.htm).

<sup>②</sup> Ministry of Foreign Affairs of the People's Republic of China, China's Position on the Political Settlement of the Ukraine Crisis, February 24, 2023, [https://www.fmprc.gov.cn/zyxw/202302/t20230224\\_11030707.shtml](https://www.fmprc.gov.cn/zyxw/202302/t20230224_11030707.shtml).

UN peacekeepers, all of which violate international humanitarian law.

China and the EU still reveal notable differences in their approaches to these geopolitical challenges: Firstly, China advocates non-alignment and maintains autonomous determination of its foreign policy positions while respecting national sovereignty. In contrast, the EU and major European countries maintain deep strategic entanglements with the United States regarding the Russo-Ukrainian conflict and the South China Sea dispute, substantively intervene in regional conflicts and disputes beyond their immediate sphere, and pursue their interests and absolute security through alliances. Secondly, China maintains that security is indivisible, as the security of one country should come at the expense of another country's security, and regional security cannot be guaranteed through strengthening or expanding military blocs. The legitimate security interests and concerns of countries warrant equal attention and appropriate resolution. However, the EU has overlooked the strategic pressure imposed on Russia by NATO's continuous eastward expansion as a military alliance and the deep-rooted structural contradictions formed through historical accumulation in the Russo-Ukrainian conflict. Regarding the South China Sea dispute, the EU has not maintained consistency with its stance on the Israeli-Palestinian conflict, failing to comprehend the issue's complexity from a historical and dynamic perspective. Thirdly, China insists on peaceful dispute resolution and actively promotes early ceasefires in both the Russo-Ukrainian and Israeli-Palestinian conflicts. Even during confrontations with the Philippines in the South China Sea, China has resorted to coast guard vessels employing water cannons only when forced to defend its sovereignty. The EU has crossed the line in the Russo-Ukrainian conflict by providing sophisticated heavy weaponry to Ukraine, along with intelligence and logistical training support. Their economic blockade against Russia has disrupted the global economic order, indirectly prolonged the conflict, and resulted in increased casualties and humanitarian catastrophes.

# **Dramatic Changes in Europe's Security Outlook in the Wake of Two Conflicts**

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The ongoing Russia-Ukraine and Israeli-Palestinian conflicts have exerted a strong and profound impact on Europe and triggered significant changes in its security outlook. Europeans' perceptions of military conflict, economic and trade relations, as well as hard and soft power, have faced unprecedented shocks and challenges unseen for decades, resulting in irreversible transformations. They have also produced deep implications for how Europe manages the complex interplay between development and security, independence and external reliance, and global governance and security architecture. The power dynamics within the EU have also been reshaped, marking the beginning of a critical transformation towards a "geopolitical Europe".

Since the outbreak of the Russia-Ukraine conflict in 2022, followed by the escalation of the Israeli-Palestinian conflict, Europe has experienced disruptive upheaval in its security landscape. This has led to dramatic changes in Europe's security outlook, where geopolitical security concerns have ascended to the forefront, recognized as a major societal, systemic, and long-term challenge for Europe. This article aims to examine the key characteristics of the evolving European security outlook in the wake of these two conflicts. It provides an in-depth analysis of the factors driving this transformation, offering insights into its diverse implications and future directions.

## **1. Changes in Europe's Security Outlook**

A security outlook represents the awareness and understanding of a group or community concerning their security, including their perceptions and analyses of threats and evaluation and comprehensive evaluation of their security governance objectives,

pathways, and means.<sup>①</sup> The ongoing escalation of the Russia-Ukraine and Israeli-Palestinian conflicts, with their trend towards prolonged instability, has fundamentally changed the security environment in Europe and its neighboring regions. These factors have also reshaped European nations' perceptions of security.

### **1.1 Relationship Between Military Conflict and Security: From “Pax Europaea” to “Return of War to Europe”**

Europe, in general, enjoyed a period of relative peace since the end of World War II. Although the Cold War turned Europe into a “confrontation front” and the “main ground” for the rivalry between the United States and the Soviet Union, nuclear parity between the superpowers and American security commitments provided a level of stability. Europe largely avoided large-scale military conflicts despite heightened military-political tensions, such as the “Berlin Crisis”, economic divisions between the “two market systems”, and overt and covert diplomatic and intelligence clashes.<sup>②</sup> The post-Cold War era, particularly, brought a sense of “golden age” optimism to Europe, with many believing that the continent was on the brink of significant progress.<sup>③</sup> This sentiment was captured in the *European Security Strategy - A secure Europe in a better world* released in 2003, which declared that “Europe has never been so prosperous, so secure nor so free. The violence of the first half of the 20th Century has given way to a period of peace and stability”. In the post-Cold War context, “large-scale aggression against any Member State is now improbable”. Based on this assessment, Europe concluded that traditional security pressures had diminished while non-traditional security threats had intensified. Terrorism, proliferation of weapons of mass destruction, organized crime, and regional conflicts in Kashmir, the Korean Peninsula, and the Middle East became the key threats.<sup>④</sup>

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<sup>①</sup> Marc von Boemcken and Conrad Schetter, “Security what it is? What does it do?”, *Friedrich Ebert Stiftung*, Think Piece 9, 2016, <https://library.fes.de/pdf-files/iez/12368.pdf>.

<sup>②</sup> “Historical Events in the European Integration Process (1945-2009)”, *The Centre virtuel de la connaissance sur l'Europe*, <https://www.cvce.eu/en/collections/unit-content/-/unit/02bb76df-d066-4c08-a58a-d4686a3e68ff>.

<sup>③</sup> Zhang Jian, “EU Security Strategy: Origins, Evolution, and Policy Trends”, *China Security Studies*, No. 3, 2022, p. 101.

<sup>④</sup> European Union, “European Security Strategy: A Secure Europe in a Better World”, December 12, 2003, <https://op.europa.eu/en/publication-detail/-/publication/d0928657-af99-4552-ae84-1cbaaa864f96/>.

However, Europe’s optimistic outlook was short-lived, as the continent quickly entered a period of unrelenting crises. The Russo-Georgian War in August 2008 was the first major blow to the idea of “Pax Europaea”. In March 2014, the Crimea crisis broke out, followed by a referendum on “seceding from Ukraine to join Russia.” The EU swiftly announced sanctions against Russia, which once again emerged as a serious threat to the security order in Europe.<sup>①</sup> The Russia-Ukraine conflict, which erupted in February 2022 and continues today, has become a major turning point, reshaping not only European security but the continent’s future as a whole. War has once again arrived at Europe’s doorstep. The EU quickly released its long-awaited *A Strategic Compass for Security and Defence*, a comprehensive strategy document that had been in development for over a year. The strategy clearly identifies Russia as the “primary threat” to Europe, stating that the “return of war” has fundamentally reshaped the continent’s geopolitical landscape, which has become more volatile, complex, and fragmented than ever. It further claims that Europe is now confronted with a deterioration of its security situation characterized by a wide range of threats.<sup>②</sup> In June 2022, NATO updated its *Strategic Concept* document for the first time in over a decade, identifying Russia as the “most significant and direct threat”. It also substantially upgraded its deterrence strategy to reflect the realities of a “Europe at war”.<sup>③</sup> Recently, the European security community has been grappling with the prospect of a direct Russian attack on NATO. In January 2024, German Defense Minister Boris Pistorius issued a serious warning, suggesting that Russia could launch an attack on a NATO member state. He also mentioned that German experts anticipate this scenario could unfold within the next five to eight years.<sup>④</sup>

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<sup>①</sup> Gwendolyn Sasse, “Revisiting the 2014 Annexation of Crimea”, *Carnegie*, March 15, 2017, <https://carnegieendowment.org/posts/2017/03/revisiting-the-2014-annexation-of-crimea?lang=en>.

<sup>②</sup> The European External Action Service, “A Strategic Compass for Security and Defense”, March 24, 2022, [https://www.eeas.europa.eu/sites/default/files/documents/strategic\\_compass\\_en3\\_web.pdf](https://www.eeas.europa.eu/sites/default/files/documents/strategic_compass_en3_web.pdf).

<sup>③</sup> North Atlantic Treaty Organization, “NATO 2022 Strategic Concept”, March 3, 2023, [https://www.nato.int/cps/en/natohq/topics\\_210907.htm](https://www.nato.int/cps/en/natohq/topics_210907.htm).

<sup>④</sup> Flynn, “Russia could attack NATO ‘within five to eight years’, German defense minister warns”, *Rfi*, January 20, 2024, <https://www.rfi.fr/cn/国际/20240120-德国防长-普京可能在5到8年内攻击北约>.

## 1.2 Interplay of Economics and Security: From Being “Interconnected and Fostering Peace” to “Interdependent and Amplifying Risks”

The European Union has long positioned itself as a proponent of “trade openness and liberalization”, firmly believing that its economic integration – especially the German-French economic integration – has made “war on the continent improbable”. This belief has driven its external policy of “change through trade”, aiming to achieve geopolitical stability and peace through stronger economic and investment ties with countries with differing political systems. The EU’s approach has even included efforts to promote “systemic reforms” in these countries. A key example was West Germany’s “New Eastern Policy” in the 1960s, which sought to normalize trade relations with the German Democratic Republic and other socialist states, helping to ease tensions between East and West during the superpower rivalry. Under this guiding principle, prior to the outbreak of the Russia-Ukraine conflict, major European powers generally pursued policies aimed at maintaining political stability with Russia and fostering closer economic and trade relations. This resulted in a tight-knit division of labor between the two, marked by mutual dependence in the energy sector, industrial equipment, and technology. In 2021, the EU imported 155 billion cubic meters of natural gas from Russia, representing approximately 45% of its total natural gas imports, while Russian oil made up 29% of the EU’s total oil imports.<sup>①</sup> Russia stood as the EU’s fifth-largest trading partner in the year, with EU-Russia trade comprising 5.8% of the EU’s global trade.<sup>②</sup> The EU even received the Nobel Peace Prize in 2012.<sup>③</sup>

However, the sudden onset of the COVID-19 pandemic highlighted the vulnerabilities in the EU’s trade supply chains. The outbreak of the Russia-Ukraine conflict further pushed the EU to critically reassess its long-standing belief in “interconnectedness for peace”, with some even declaring this policy obsolete. The EU has increasingly recognized that economic interdependence with countries that do not share its values can heighten security risks. As a result, a strong narrative has emerged, urging the EU to reduce

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<sup>①</sup> Xu Poling, “Global Economic Order Facing Adjustment in the wake of Russia-Ukraine Conflict”, *Economic Daily*, February 17, 2023, [http://paper.ce.cn/pad/content/202302/17/content\\_268980.html](http://paper.ce.cn/pad/content/202302/17/content_268980.html).

<sup>②</sup> Zheng Guichu, “The ‘Ukraine Trap’: What Is in It?”, *People’s Daily Online*, May 19, 2022, <http://world.people.com.cn/n1/2022/0519/c1002-32425263.html>.

<sup>③</sup> European Commission, “From War to Peace: A European Tale”, December 10, 2012, [https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_12\\_930](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_12_930).



dependence and de-risk.<sup>①</sup> In April 2022, EU Commissioner for Economy Paolo Gentiloni said, “The notion of ‘Wandel durch Handel’, of bringing about change through trade, has shown its limitations. We need to rethink our relations with autocratic regimes and strengthen our ties with like-minded partners”.<sup>②</sup> The EU has strongly criticized Moscow for weaponizing economic interdependence following the onset of the Russia-Ukraine conflict. European Commission Vice President Valdis Dombrovskis stated, “The weaponization of trade shows no signs of abating. We have no choice but to face up to this reality and adapt”.<sup>③</sup> In response to this perceived threat, the EU has introduced a series of sanctions, effectively moving towards “decoupling” from Russia in trade and investment. It has also launched the “Repower EU” plan with urgency, aiming to accelerate the “de-Russification” of its energy sector and make 2022 “the last winter of weaponized Russian energy exports”.<sup>④</sup> According to Eurostat data, Russia’s share of EU imports dropped sharply from 9.5% in February 2022 to 1.9% in December 2023. Notably, Russia’s share of the EU’s total natural gas imports fell from 33% in the fourth quarter of 2021 to 13% in the same period of 2023, with the United States emerging as the EU’s largest natural gas supplier. Some European voices have criticized the “change through trade” approach in relations with China, labeling it a “historical error”. They argue that in the event of a “Taiwan Strait incident”, China would likely “mirror Russia’s tactics” by weaponizing its economic ties with Europe.<sup>⑤</sup> Some European think tanks have even suggested that the “de-Russification of energy” could result in a new “green technology dependence on China”, so a preemptive “green decoupling” is necessary.<sup>⑥</sup>

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<sup>①</sup> Alan Wm. Wolff, “Trade for Peace: Can Trade be an Effective Tool to Support Peace? Lessons From History”, Lectures at the Graduate Institute and the University of St. Gallen Geneva, Switzerland, September 27/28, 2023, <https://www.piiie.com/sites/default/files/2023-10/2023-09-27wolff.pdf>.

<sup>②</sup> Jan Strupczewski, “Ukraine War Shows ‘End of Globalisation as We Know it’ – EU’s Gentiloni”, *Reuters*, April 21, 2022, <https://www.reuters.com/world/ukraine-war-shows-end-globalisation-we-know-it-eus-gentiloni-2022-04-21/>.

<sup>③</sup> Barbara Moens, “Ukraine Presses the EU to Get Real About Trading with the Enemy”, *Politico*, March 14, 2022, <https://www.politico.eu/article/ukraine-geopolitics-in-eu-trade-china-russia/>.

<sup>④</sup> Arseniy Yatsenyuk, “Europe Must Make This the Last Winter of Weaponized Russian Energy Exports”, *Atlantic Council*, October 25, 2022, <https://www.atlanticcouncil.org/blogs/ukrainealert/putin-weaponizes-winter-europe-must-end-its-dependency-on-russian-energy/>.

<sup>⑤</sup> “German media: Change through trade? Mistakes will not be repeated!”, *Deutsche Welle*, 24 December, 2020, <https://www.dw.com/zh/德语媒体以贸易促转变当年错误不容再犯/a-56054011>.

<sup>⑥</sup> Alexander Lipke, Janka Oertel and Daniel O’Sullivan, “Trust and Trade-offs: How to Manage Europe’s Green Technology Dependence on China”, *European Council on Foreign Relations*, May 29, 2024, <https://ecfr.eu/publication/trust-and-trade-offs-how-to-manage-europes-green-technology-dependence-on-china/>.

Driven by this narrative, European Commission President Ursula von der Leyen has advocated the EU's "de-risking" strategy in 2023, aiming to establish it as a "unified Western position" on China in forums like the G7 summit.<sup>①</sup> The European Commission released the *European Economic Security Strategy* in June 2023 and refined its "package of measures" in early 2024, offering more details and specific actions for the "de-risking" strategy.<sup>②</sup>

### **1.3 Relationship of Soft and Hard Power with Security: From "Normative Power" to Learning "Language of Power"**

Europe has long been deeply confident in its cultural heritage and institutional models, viewing its values and systems as inherently superior and "universal". It sees itself as a "model" for developing regions, aiming to extend its influence on these regions and the international order. International relations scholar Ian Manners introduced the concept of "normative power Europe", emphasizing the EU's "ability to shape conceptions of "normal"" both in its relations with new member states and in its diplomatic engagements in the post-Cold War international landscape.<sup>③</sup> In the early 21st century, the EU sought to expand its influence through multilateral platforms, aiming to distinguish itself from a unilateralist America focused on hard power. The EU positioned itself as a moral compass, promoting multilateralism, contributing to and upholding the international order, and actively engaging in global governance. The EU believed that its soft power, such as cultural influence, normative frameworks, and diplomatic means, could make up for its limited hard power, allowing it to remain a significant pole on the global stage. It also capitalized on the strength of its single market, emphasizing the external impact of its internal governance norms, and took pride in the so-called "Brussels effect".<sup>④</sup> However, Europe has found it increasingly difficult to exert its normative power as global tensions have risen and the effectiveness of international governance has declined. As a

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<sup>①</sup> European Commission, "Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre", March 30, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_23\\_2063](https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063).

<sup>②</sup> European Commission, "Commission Proposes New Initiatives to Strengthen Economic Security", January 24, 2024, [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_24\\_363](https://ec.europa.eu/commission/presscorner/detail/en/IP_24_363).

<sup>③</sup> Ian Manners, "Normative Power Europe: A Contradiction in Terms?", *Journal of Common Market Studies*, Vol. 40, Issue 2, 2002, pp. 235-258.

<sup>④</sup> Anu Bradford, "The Brussels Effect", *Northwestern University Law Review*, Vol. 107, No. 1, 2012.

result, the EU started to reassess the limitations of its emphasis on “soft power” alone and pursue a strategy that combines “soft and hard power” by actively participating in geopolitical competition and aiming to become a “player” in the power competition, rather than merely serving as an “arena” for them.<sup>①</sup> In 2019, when Ursula von der Leyen became president of the European Commission, she announced her vision of leading a “geopolitical Commission”.<sup>②</sup> Similarly, EU High Representative for Foreign Affairs and Security Policy, Josep Borrell, recognized the challenging international environment confronting Europe, emphasizing that to fulfill its political goals, Europe “must learn quickly to speak the language of power”, rather than relying solely on soft power as they used to do.<sup>③</sup> To a certain extent, this “language of power” can be understood as a realist approach to power politics, encompassing the comprehensive deployment of economic, political, diplomatic, and military means to achieve policy goals. Essentially, it signifies a form of “weaponized” comprehensive strength. The Russia-Ukraine and Israeli-Palestinian conflicts have acted as catalysts for this trend. The recent zeal for developing European “hard power” directly reflects the policy changes resulting from this shift in its security outlook. In a speech at Sorbonne University in Paris on April 25, 2024, the French President warned about the “major transformations underway”, emphasizing that Europe must rearm itself. He stated that Europe could no longer depend solely on the United States for its security, or Europe could die.<sup>④</sup>

## 2. Root Cause of Changes in Security Outlook

The evolution of Europe’s security outlook is an ongoing process. It started with introspection regarding the EU’s various crises in the new century. This process has been driven by the rising unilateralism and hegemony of the United States in recent years, along with the ongoing decline of the multilateral order. The Russia-Ukraine and Israeli-

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<sup>①</sup> Zhang Jian, “European Strategic Orientation and Its Impact in Unprecedented Changes”, *Contemporary International Relations*, No. 1, 2021, pp. 10-20.

<sup>②</sup> European Commission, “Speech by President-elect von der Leyen in the European Parliament Plenary on the Occasion of the Presentation of her College of Commissioners and Their Programme”, November 27, 2019, [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_19\\_6408](https://ec.europa.eu/commission/presscorner/detail/en/speech_19_6408).

<sup>③</sup> European Union External Action, “Several Outlets - Europe Must Learn Quickly to Speak the Language of Power”, October 29, 2020, [https://www.eeas.europa.eu/eeas/several-outlets-europe-must-learn-quickly-speak-language-power\\_und\\_en](https://www.eeas.europa.eu/eeas/several-outlets-europe-must-learn-quickly-speak-language-power_und_en).

<sup>④</sup> Élysée, “Discours sur l’Europe”, April 24, 2024, <https://www.elysee.fr/emmanuel-macron/2024/04/24/discours-sur-leurope>.

Palestinian conflicts have intensively accelerated this process.

## 2.1 Russia-Ukraine Conflict Redefines Europe's Outlook on War

The dramatic deterioration of Europe's security environment is the most significant factor driving swift changes in its outlook and the crucial context for its current security perceptions. For the EU, although crises such as the eurozone debt crisis, the refugee crisis, and Brexit have persisted since the turn of the century, the conflict that has fundamentally impacted its security environment is the Russia-Ukraine conflict, which has brought the flames of war to its doorstep – a development aptly described by Scholz as a “Zeitenwende”. This shift is evident in the numerous security documents released in recent years by the EU, NATO, and their member states, all of which consistently identify Russia as the primary threat. Some viewpoints even assert that the Russia-Ukraine conflict demonstrates that war has once again become “a method of conflict resolution”.<sup>①</sup> Influenced by this new reality, European nations have been actively preparing for the possibility of “the return of war to Europe” as a full-scale conflict on the continent is no longer a fantasy. They focus on enhancing security with Russia as the “assumed adversary”. In addition to strengthening NATO's crucial role in European security, the EU is hastening its transformation from an “economic alliance” to a “political alliance” and a “security alliance”. Ursula von der Leyen, recently re-elected as president of the European Commission, has identified building defense capabilities as a top priority for her next term and has even proposed creating the new post of defense commissioner.<sup>②</sup> In addition to raising defense budgets, European nations are working to build mechanisms and institutions that meet the “demands of war”. For example, in January 2024, Germany, the Netherlands, and Poland signed an agreement to create a military transport corridor between them, taking military mobility “on the road to a true military Schengen”.<sup>③</sup> In response to the “war threat”, several European countries have reinstated mandatory

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<sup>①</sup> Olga Gulevich, Andrey Nevruiev and Irena Sarijeva, “War as a Method of Conflict Resolution: The Link Between Social Beliefs, Ideological Orientations, and Military Attitudes in Russia”, *Peace and Conflict: Journal of Peace Psychology*, Vol. 26, Issue 2, 2020, pp. 192-201.

<sup>②</sup> Antoaneta Roussi, Joshua Posaner and Jan Cienski, “Von der Leyen Plans New Defense Commissioner Post”, *Politico*, February 17, 2024, <https://www.politico.eu/article/von-der-leyen-plans-new-defense-commissioner-post/>.

<sup>③</sup> Anchal Vohra, “The ‘Military Schengen’ Era Is Here”, *Foreign Policy*, March 4, 2024, <https://foreignpolicy.com/2024/03/04/europe-military-autonomy-nato-schengen/>.

military service, with nations like Denmark even extending military conscription to women.<sup>①</sup>

## 2.2 Israeli-Palestinian Conflict Stimulates Europe's Outlook on Power

The Middle East, often regarded as Europe's "extended periphery", plays a crucial role in European security. It also acts as Europe's "strategic rear" for energy, a role that has become even more significant in the aftermath of the Russia-Ukraine conflict. As a result, Europe has long seen the Middle East as a region where it can wield considerable influence, engaging in it through development and humanitarian aid, deploying civilian observer missions, and imposing economic sanctions on specific countries. Europe has intentionally aimed to show certain differentiation from the US in its approach to the Middle East. The EU has been a key supporter and advocate of the Middle East peace process.<sup>②</sup> Before the Israeli-Palestinian conflict, it was one of the largest donors to Palestine and among Israel's top trading partners.<sup>③</sup> However, the outbreak of the conflict quickly revealed that Europe's influence in the Middle East was not commensurate with its long-standing "soft power" investments in the region. Europe has found itself divided in its Middle East policy, lacking a "strong voice" and facing increasing disregard for its statements. Since the conflict began, European leaders, including EU High Representative for Foreign Affairs and Security Policy Josep Borrell, have repeatedly made "airborne appeals" to both sides, particularly to Israel, but with little practical impact. In addition, Europe has faced backlash for its stance, experiencing a growing societal divide and witnessing "anti-Semitic" and "pro-Israel" movements in countries like Germany and France.<sup>④</sup> Europe's perceived "double standard" on the issue has further widened the gap between it and countries in the Global South.<sup>⑤</sup> Consequently,

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<sup>①</sup> Miranda Bryant, "Denmark Plans to Conscript Women for Military Service for First Time", *The Guardian*, March 14, 2024, <https://www.theguardian.com/world/2024/mar/14/denmark-plans-to-conscript-women-for-military-service-for-first-time>.

<sup>②</sup> European Union External Action, "Middle East and North Africa (MENA)", May 2, 2024, [https://www.eeas.europa.eu/eeas/middle-east-and-north-africa-mena\\_en](https://www.eeas.europa.eu/eeas/middle-east-and-north-africa-mena_en).

<sup>③</sup> Andre, "Is EU to freezing aid to Palestine? Spain and other countries oppose", *Rfi*, October 9, 2023, <https://www.rfi.fr/cn/中国/20231009-欧盟暂时冻结对巴勒斯坦援助-西班牙等国反对>.

<sup>④</sup> "Anti-Semitism Swells in Europe Amid Gaza War, Says EU Watchdog", *Aljazeera*, July 11, 2024, <https://www.aljazeera.com/news/2024/7/11/anti-semitism-swells-in-europe-amid-gaza-war-says-eu-watchdog>.

<sup>⑤</sup> Mared Gwyn Jone, "'Double Standards' Undermine EU Legitimacy in Global South: Human Rights Watch Chief", *Euronews*, October 26, 2023, <https://www.euronews.com/my-europe/2023/10/26/double->

the Israeli-Palestinian conflict sparked a critical reflection within Europe regarding its approach to power. This has led to a shift towards a more realist model of power politics, prompting Europe to find ways to “harden soft power” and adopt the “language of power”.

### **2.3 American Unilateralism Reshapes Europe’s Global Outlook**

As a successful example of regional integration, the EU has built its foundation on multilateralism, making it a cornerstone of its foreign policy philosophy. A stable environment of international governance framework is essential for the EU to extend its influence effectively. Therefore, promoting and defending multilateralism and strengthening international governance have remained key priorities of the EU throughout its various foreign strategies in the new century. However, the current global pushback against multilateralism has deeply challenged Europe’s global outlook. The election of Donald Trump as the 45th president of the United States in 2017 marked the beginning of a particularly turbulent period. The Trump administration blatantly disregarded World Trade Organization rules, initiated a large-scale trade war with China, and withdrew from the proposed *Trans-Pacific Partnership (TPP)*, the *Paris Agreement on Climate Change*, and the Iran nuclear deal. These actions led to the paralysis of the WTO’s Appellate Body and dealt a severe blow to the multilateral platforms and international order that the EU had devoted itself to and relied on to amplify its influence. The upcoming 2024 US presidential election has cast a “Trumpian” shadow over Europe, heightening concerns that a “Trump 2.0” could further destabilize the international environment critical to Europe’s prosperity. European think tanks have suggested that Europe is preparing to be Trump-proofing besides guarding against Russia.<sup>①</sup> Moreover, the Biden administration’s “small circle” diplomacy has diverged from Europe’s own diplomatic approach and conflicts with the broader trend towards a multipolar world order.<sup>②</sup> Although Europe remains a key ally of the US, its influence within the American-

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standards-undermine-eu-legitimacy-in-global-south-human-rights-watch-chief.

<sup>①</sup> Arancha González Laya, Camille Grand, Katarzyna Pisarska, Nathalie Tocci and Guntram Wolff, “Trump-Proofing Europe. How the Continent Can Prepare for American Abandonment”, *Foreign Affairs*, February 2, 2024, <https://www.foreignaffairs.com/united-states/trump-proofing-europe>.

<sup>②</sup> He Zhigao, “EU Doubts American Minilateralism”, *Outlook*, No. 25, 2024.

led global system is waning, with some even suggesting signs of “vassalization”.<sup>①</sup> These factors have prompted a shift in Europe’s global outlook.

## 2.4 Global Multipolar Trend Shakes up Europe’s Outlook on Order

Europe has long occupied a central role within the West-led international order, with deep confidence in its development paths and institution models. It has consistently viewed global trade as a crucial tool for spreading Western democratic principles worldwide. Taking China as an example, during the early years of China’s reform and opening-up, Europe viewed China as an important market for product sales and followed a policy of “change through trade”. This relationship was often marked by a “moralizing” approach that is somewhat condescending and arrogant.<sup>②</sup> Europe has faced a series of internal challenges, most notably the financial crisis, the Eurozone debt crisis, and Brexit, which have repeatedly exposed systemic flaws within the Western model. As a result, Europe’s cultural and institutional appeal has diminished, leading to growing “civilizational anxiety”. Especially after the outbreak of the Russia-Ukraine conflict, many nations of the Global South have chosen not to align with the West’s position of supporting Ukraine and sanctioning Russia, leaving Europe surprised to find that its stance is now a “minority view” on the global stage.<sup>③</sup> Furthermore, Europe has recognized that the West-dominated international order is facing profound challenges as the multipolar trend deepens, particularly with the recent rise of China’s comprehensive national strength and international influence and the collective emergence of the Global South. These facts have also served as a stark affirmation that Western values are not universal, and that Western-style democracy is not necessarily the best.<sup>④</sup> In this context, Europe’s civilizational self-assurance has eroded, leading to a greater acceptance of the “clash of civilizations”. Its outlook on order has become increasingly sensitive and conservative,

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<sup>①</sup> “The Art of Vassalisation: How Russia’s War on Ukraine has Transformed Transatlantic Relations”, <https://ecfr.eu/publication/the-art-of-vassalisation-how-russias-war-on-ukraine-has-transformed-transatlantic-relations/>, accessed August 11, 2024.

<sup>②</sup> “Xi Jinping: China does not Accept Human Rights Moralizer and Opposes Double Standards”, Xinhuanet, September 15, 2020, [http://www.xinhuanet.com/politics/leaders/2020-09/15/c\\_1126493062.htm](http://www.xinhuanet.com/politics/leaders/2020-09/15/c_1126493062.htm).

<sup>③</sup> Francis Ghilès, “Global South Does Not Buy Western Stance on Ukraine”, *CIDOB*, May, 2023, <https://www.cidob.org/publicaciones/global-south-does-not-buy-western-stance-ukraine>.

<sup>④</sup> Chen Shuguang and Liu Ying, “‘Democratic Trap’ in Western Discourse and Its Criticism”, *Studies on Mao Zedong and Deng Xiaoping Theories*, No. 2, 2015, pp. 66-72.

with heightened vigilance and diminished tolerance towards alternative development models. In recent years, Europe has started reassessing its relationships with other international actors through the “value perspectives” and “institutional competition perspectives”. It has increasingly been inclined to elevate cooperation issues in areas like trade, technology, and culture to the national security level. The EU sees China as a partner for cooperation, an economic competitor, and a systemic rival, with a growing focus on the latter two, reflecting this shifting perspective.<sup>①</sup>

### **3. Implications and Prospects**

#### **3.1 Rebalancing Economic Development and Security Needs**

Before the outbreak of the Russia-Ukraine conflict, Europe had enjoyed nearly half a century of peace. Believing that “large-scale aggression against any Member State is now improbable”, the EU had shifted its policy focus and resource allocation heavily toward economic development. While the NATO summit in Wales, held after the Crimean Crisis, saw member leaders formally commit to spending at least 2% of their GDP on defense by 2024, a NATO report released in 2021 revealed that only ten countries, including the United States, Canada, the United Kingdom, and Greece, met this target that year. Luxembourg, Spain, and Belgium allocated only 0.57%, 1.02%, and 1.12% of their GDP to defense, respectively, falling well short of NATO’s standard.<sup>②</sup>

The Russia-Ukraine conflict has significantly altered Europe’s trajectory. The EU has started recognizing that building security capabilities is essential for achieving prosperity and development. It has emphasized the need to move toward a “wartime economy”, with some advocating for a “security above all else” approach. As the EU’s largest economy, Germany supported ongoing economic cooperation with Russia with a traditionally pragmatic position. However, Chancellor Olaf Scholz described the Russia-Ukraine conflict as a “Zeitenwende” in European history during a special session of the

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<sup>①</sup> Francesco Giovanni Lizzi, “Competitor, Rival but Partner No More? EU-China Economic Relations and the European Elections”, CSDS Policy Brief, May 31, 2024, <https://csds.vub.be/publication/competitor-rival-but-partner-no-more-eu-china-economic-relations-and-the-european-elections/>.

<sup>②</sup> Zhang Haichao, “NATO Report: Only One-Third of Member Countries Have Military Spending of over 2% of GDP, with the United States Ranking Second”, Global Times, June 12, 2021, <https://mil.huanqiu.com/article/43VMDduyTzJ>.



German Bundestag in the same month the conflict broke out, and announced a 100-billion-euro special defense fund to strengthen the German armed forces.<sup>①</sup> Recently, a German government spokesperson firmly stated that, regardless of the investigation's outcome, "Germany's ongoing support for Ukraine will remain unchanged" even though investigations suggested possible Ukrainian involvement in sabotaging the Nord Stream natural gas pipelines.<sup>②</sup> Beyond Germany, Europe is entering a new phase of re-militarization, shifting the focus from development to security. In March 2023, French President Emmanuel Macron urged defense industry executives to switch to a "wartime economy" model.<sup>③</sup> On March 5, 2024, the EU introduced the *European Defence Industry Strategy* along with a draft defense industry plan outlining a clear vision to achieve defense industrial readiness.<sup>④</sup> NATO has been revived after fading from the historical spotlight during peacetime, even being declared "brain dead" by some. In 2023 and 2024, Finland and Sweden abandoned their long-standing neutrality and joined the alliance. During a visit to the United States in 2024, NATO Secretary General Jens Stoltenberg announced that 23 out of the alliance's 32 member states are expected to meet or exceed the target of investing at least 2% of GDP in defense in the year.<sup>⑤</sup> The EU has started to view its external relations through a "security" prism, often citing "national security" as a reason to block various so-called "high-sensitivity" collaborative projects, including those involving Chinese-European scientific and technological cooperation. This heightened emphasis on "economic security" is closely linked to the evolving security outlook, as mentioned earlier.

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<sup>①</sup> Die Bundesregierung, "Regierungserklärung von Bundeskanzler Olaf Scholz am 27. Februar 2022", February 27, 2022, <https://www.bundesregierung.de/breg-de/aktuelles/regierungserklaerung-von-bundeskanzler-olaf-scholz-am-27-februar-2022-2008356>.

<sup>②</sup> "German Officials: Nord Stream Investigation Results Will Not Affect Aid to Ukraine", *China Economic Net*, August 16, 2024, [http://m.ce.cn/gj/gd/202408/16/t20240816\\_39106756.shtml](http://m.ce.cn/gj/gd/202408/16/t20240816_39106756.shtml).

<sup>③</sup> Jean-Michel Bezat, Cédric Pietralunga and Elise Vincent, "'We are Now in a Wartime Economy', Says France's Top Military Procurement Official", *Le Monde*, March 15, 2023, [https://www.lemonde.fr/en/international/article/2023/03/15/we-are-now-in-a-wartime-economy-says-france-s-top-military-procurement-official\\_6019480\\_4.html](https://www.lemonde.fr/en/international/article/2023/03/15/we-are-now-in-a-wartime-economy-says-france-s-top-military-procurement-official_6019480_4.html).

<sup>④</sup> European Commission, "EDIS | Our Common Defence Industrial Strategy", [https://defence-industry-space.ec.europa.eu/eu-defence-industry/edis-our-common-defence-industrial-strategy\\_en](https://defence-industry-space.ec.europa.eu/eu-defence-industry/edis-our-common-defence-industrial-strategy_en).

<sup>⑤</sup> NATO, "Defence Expenditures and NATO's 2% Guideline", June 18, 2024, [https://www.nato.int/cps/en/natohq/topics\\_49198.htm#:~:text=In%202014%2C%20NATO%20Heads%20of,in%20instability%20in%20the%20Middle%20East](https://www.nato.int/cps/en/natohq/topics_49198.htm#:~:text=In%202014%2C%20NATO%20Heads%20of,in%20instability%20in%20the%20Middle%20East).

### 3.2 Redistribution of Power and National Sovereignty within EU

Following the recent Ukraine crisis, there has been an increasing demand within the EU for more efficient decision-making and a unified voice in response to the need for coordinated action. Amid a heightened security environment, member states' traditional reluctance to cede power to the EU has seen a notable change, especially in sensitive policy areas like foreign affairs and defense. EU institutions, particularly the European Commission, have significantly expanded their authority through various initiatives, plans, and crisis responses.

Firstly, the unique advantage of responding to crises through execution agencies plays a key role. In the early stages of the crisis, particularly in implementing sanctions against Russia, Ursula von der Leyen and the European Commission actively consulted with the US government and formulated plans, being “only actors with an overview of the overall sanctions discussions”. It even bypassed the EU Council's “RELEX” working group, which typically manages legal, financial, and institutional matters related to common foreign and security policy, thereby effectively reducing member state oversight to some extent.<sup>①</sup> In June 2024, the EU approved the new “Ukraine Facility” plan, pledging EUR 50 billion to Ukraine for reconstruction, recovery, and modernization efforts by 2027. Initially, Hungary resisted the plan during discussions within the European Council. Hungary eventually agreed to vote for the plan, requesting only symbolic, phased reviews of the fund. Later revelations during a European Parliament lawsuit against Ursula von der Leyen uncovered the “inside story”: Hungary gave up opposition in exchange for a promise from the European Commission to partially unfreeze EU funds awarded to Hungary.<sup>②</sup> This incident illustrates how, in times of crisis, EU institutions increasingly use their resources to sway member states' voting decisions out of expediency.

Secondly, EU institutions have capitalized on major member states' strong desire for security and defense integration to enter sensitive areas. Following the Russia-Ukraine conflict, a special European Council summit was held in Versailles, France, where leaders

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<sup>①</sup> Calle Håkansson, “The Ukraine War and the Emergence of the European Commission as a Geopolitical Actor”, *Journal of European Integration*, Vol. 46, Issue 1, 2024, pp. 25-45.

<sup>②</sup> Andy Bounds, “EU Parliament Sues Ursula von der Leyen's Commission Over Hungary Funds”, *Financial Times*, March 14, 2024, <https://www.ft.com/content/4ed54bbb-559e-460c-9fdc-6a743d994c4b>.

described the conflict as “a tectonic shift in European history”<sup>①</sup> and called for stronger European defense capabilities. The summit authorized EU institutions to assess the gaps in defense investments and propose new measures to bolster the European defense industry and its technological foundations. Subsequently, *A Strategic Compass for Security and Defence* and related short-term policy instruments have significantly boosted joint procurement at the EU level. The EU has even ventured into previously taboo topics for member states, such as issuing joint bonds and creating a new common fund to finance energy and defense expenses. Any move to expand the power of EU institutions into sensitive areas would not be possible without the implicit approval of member states.

Thirdly, EU institutions have eroded the rights of the dissenting minority by leveraging the strong anti-Russia and pro-Ukraine sentiment across Europe. Hungary and a few other EU members have faced significant backlash from fellow members and the public for their relatively conciliatory approach toward Russia. When it came to granting Ukraine candidate status within the EU, the European Council took an extraordinary step by quickly confirming the decision and starting accession negotiations. During the voting process, the European Council employed a tactic of “temporary absence” to exclude Hungary from the proceedings, ensuring the necessary “unanimity” for the resolution to pass and effectively stripping Hungary of its veto power.<sup>②</sup> When Hungary took on the rotating presidency of the EU, its first meeting on industrial policy was attended by only seven ministers, with no representatives from the European Commission present. A subsequent meeting of the Foreign Affairs Council in Budapest also faced resistance and had to be moved to Brussels. One EU diplomat noted this as a clear message to Hungary: “Hungary does not speak for the EU”.<sup>③</sup> In 2024, EU institutions underwent a reshuffle. In this new political cycle, discussions about reforming EU decision-making processes have gained prominence, particularly the move towards “qualified majority voting” in

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<sup>①</sup> “Informal meeting of the Heads of State or Government, Versailles Declaration”, March 10-11, 2022, <https://www.consilium.europa.eu/media/54773/20220311-versailles-declaration-en.pdf>.

<sup>②</sup> Jaroslav Lukiv and Jessica Parker, “Hungary Blocks € 50bn of EU Funding for Ukraine”, *BBC News*, December 16, 2023, <https://www.bbc.com/news/world-europe-67724357>.

<sup>③</sup> Jakob Hanke Vela, “EU to Boycott Hungary’s Foreign Affairs Summit”, *Politico*, July 15, 2024, <https://www.politico.eu/article/hungary-boycott-foreign-affairs-summit-eu-ukraine-pm-viktor-orban-event-august-budapest/>.

foreign policy actions, replacing the former requirement of “unanimity”. As EU Commission President Ursula von der Leyen outlined in her *Political Guidelines for the Next European Commission*, the aim is to “enhance Europe’s capacity to act, looking at new formats and decision-making processes”.<sup>①</sup>

### 3.3 Rebalancing Independence and Dependence on US

Since the end of World War II, Europe (primarily Western European nations during the Cold War) has viewed the United States as its main security guarantor. This reliance continued after the Cold War, extending even deeper into Eastern European countries once part of the Soviet bloc. While enjoying the benefits of peace, European nations have built up a significant “defense deficit”. According to estimates from the European Commission, closing this gap in EU defense spending would require an additional EUR 500 billion over the next decade.<sup>②</sup> The emergence of the Russia-Ukraine and Israeli-Palestinian conflicts has highlighted Europe’s inability to counter Russia’s military aggression or effectively influence the situation in the Middle East on its own. The reality of Europe’s dependence on American support for its security and defense has become increasingly evident. At the same time, Europeans have come to understand that relying solely on American backing and protection will not lead to genuine European security. This situation is further complicated by the US’s increasingly inward-looking and conservative strategy, with a noticeable pivot to Asia in its foreign policy. Mark Leonard, a senior fellow at the European Council on Foreign Relations, predicted that “No matter who wins the US presidential election in November, Washington’s attention is shifting to Beijing and the Indo-Pacific”.<sup>③</sup> As a result, Europe must urgently reassess its balance between independence and its relationship with the US in terms of security.

In the short term, the continent will continue to rely on the United States for the foreseeable future due to the significant gap between the urgent need for improved

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<sup>①</sup> Ursula von der Leyen, “Europe’s Choice. Political Guidelines for the Next European Commission 2024-2029”, July 18, 2024, [https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648\\_en?filename=Political%20Guidelines%202024-2029\\_EN.pdf](https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf).

<sup>②</sup> European Union, “The Future of European Competitiveness. Part A | A Competitiveness Strategy for Europe”, September 2024, [https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961\\_en?filename=The%20future%20of%20European%20competitiveness%20\\_%20A%20competitiveness%20strategy%20for%20Europe.pdf](https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf).

<sup>③</sup> Mark Leonard, “A New EU Shaped by War”, *Foreign Policy*, Summer 2024, pp. 37-38.

security and defense capabilities and Europe's current ability to meet that need. This dependence may even increase in the coming period. Mario Draghi's report, *The future of European competitiveness*, found that from mid-2022 to mid-2023, 63% of the EU countries' defense procurement orders, totaling 75 billion euros, were awarded to American companies. According to data from the Stockholm International Peace Research Institute, around 55% of arms imports by European states from 2019 to 2023 were supplied by the USA, up from 35% during the 2014-2018 period.<sup>①</sup> Poland has spent billions of dollars on US-made Apache helicopters, while Germany's 100-billion-euro special defense fund prioritizes the procurement of American F-35 stealth fighters. Even in the "European Sky Shield Initiative", a joint project involving 21 European nations led by Germany to acquire air defense systems, the decision was made to procure launchers from Germany, the US, and Israel rather than waiting for France and Italy to develop their own European system. This series of policy decisions has even sparked discontent in France. Objectively, the significant depletion of European arms stocks due to support for Ukraine makes it challenging to replenish those inventories in the short term. Within the NATO military framework, American-made weapons represent the most effective way to fill Europe's defense capability gaps, making large-scale purchases of US arms the most practical and secure option.

However, in the long term, European nations need to establish an independent and autonomous security and defense system, effectively putting the "steering wheel in their own hands". The deeply polarized political landscape in the United States, along with the potential for shifts in policy due to changes in government, presents a substantial risk to the stability of transatlantic relations. Europe cannot afford the harm caused by the US's wavering policies or any "overhead diplomacy" between the US and Russia that excludes Europe. More importantly, the strategic interests of the United States differ from those of Europe, and blindly following the US could ultimately undermine Europe's development and security. Therefore, Europe must gradually establish its own security system and capabilities. Currently, Europe recognizes the importance of this issue and is

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<sup>①</sup> "European Arms Imports Nearly Double, US and French Exports Rise, and Russian Exports Fall Sharply", *Stockholm International Peace Research Institute*, March 11, 2024, <https://www.sipri.org/media/press-release/2024/european-arms-imports-nearly-double-us-and-french-exports-rise-and-russian-exports-fall-sharply>.

systematically advancing independent security and defense initiatives by focusing on aspects such as industrial foundations, organizational structure, priority capabilities, budget allocations, and project tools.

### **3.4 Redeploying Global Governance and Security Governance**

Since the start of the 21st century, Europe's security has faced repeated challenges, leading to widespread disillusionment with the international order and global governance. The US-led War on Terror has made Europe a frequent target for terrorist attacks. The global financial crisis originating from Wall Street has left the Eurozone struggling with ongoing structural issues. The challenges of global public health governance during the COVID-19 pandemic overwhelmed Europe's highly regarded healthcare system. Additionally, the escalating rivalry between the United States and China has undermined the free trade order and hindered efforts to tackle climate change – matters that Europe actively supports. The geopolitical upheaval caused by the Russia-Ukraine and Israeli-Palestinian conflicts has disrupted decades of peace in Europe and are even subtly pulling the international order toward a division into two major blocs. As Thierry de Montbrial, executive chairman of the French Institute of International Relations, has noted, “Global governance in the broadest sense has failed at the very moment when humanity needs it most”.<sup>①</sup> The underlying logic of global governance is to achieve security governance. The international governance system established after World War II was built on the Allied victory over the Axis powers, creating a security architecture centered around the United Nations Security Council. This framework, characterized by relative stability in the security landscape, laid the groundwork for nations to collaborate on shared challenges like trade, health, and climate change.

Given the rapidly changing security reality, Europe is expected to adopt a more pragmatic approach to global governance. It will demonstrate increased vigilance regarding security and order and a stronger determination to act in security governance. Ursula von der Leyen stated that the world has entered an age of geostrategic rivalries in her *Political Guidelines for the Next European Commission* as a candidate for the presidency of the

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<sup>①</sup> Thierry de Montbrial, “Gouvernance mondiale, Ukraine, Union européenne: Quo vadis?”, *Politique étrangère*, 2024/2 N° 242, pp. 9-20.

new European Commission<sup>①</sup>. She called for a commitment to defending Ukraine, emphasized the need for enlargement as a geopolitical imperative, and undertook to utilize leverage in implementing economic and diplomacy policies. Essentially, Europe is ready to “bare its fangs” and become more assertive on the international stage. On the one hand, Europe will focus its resources on major initiatives. The Russia-Ukraine conflict stands as the most urgent geopolitical challenge facing Europe today. The outcome of the Russia-Ukraine conflict will shape the international order for decades to come, making it a top foreign policy priority for the EU. The EU has raised significant financial support for Ukraine, having allocated or pledged over USD 167 billion in aid. This includes EUR 11.1 billion (about USD 12.2 billion) from the European Peace Facility, which accounts for 65% of the facility’s funds. Member states contribute to the fund in proportion to their national income levels. Since the onset of the Russia-Ukraine conflict in 2022, the EU has raised the ceiling of its fund three times. This strong focus on Ukraine has somewhat reduced European investment in its southern neighbors. In January and February 2024, European governments and entities cut EUR 4.8 billion in long-term development and climate funding, much of which had been destined for Africa. Germany and France redirected EUR 2.8 billion to balance their own books. The European Council also quietly diverted more than EUR 2.8 billion to fund migration management as part of the same deal on the EU’s long-term budget.<sup>②</sup> Despite a series of Africa-focused summits held by other countries in recent years, the EU-Africa summit has been postponed indefinitely since the Russia-Ukraine conflict began. On the other hand, European nations are actively “seeking chips” in distant regions. The EU and its member states have frequently engaged in the so-called “Indo-Pacific region”. While “de-risking” in trade and strengthening economic ties with India, ASEAN, and other countries, the EU has adopted a more assertive stance in the Indo-Pacific, increasing their participation in military exercises alongside the US, Japan, Australia, the Philippines, and others. This indicates Europe’s desire to position itself at the center of global power

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<sup>①</sup> Ursula von der Leyen, “Europe’s Choice. Political Guidelines for the Next European Commission 2024-2029”, July 18, 2024, [https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648\\_en?filename=Political%20Guidelines%202024-2029\\_EN.pdf](https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf).

<sup>②</sup> Mimi Alemayehou and David McNair, “False Economy: Why Europeans Should Stop Slashing Development Aid to Africa”, *European Council on Foreign Relations*, February 28, 2024, <https://ecfr.eu/article/false-economy-why-europeans-should-stop-slashing-development-aid-to-africa/>.

dynamics, taking more concrete actions to uphold the U.S.-led Western-dominated international order.

Overall, the pressures from the Russia-Ukraine and Israeli-Palestinian conflicts have led to an irreversible shift in Europe's security outlook. Its approach to transatlantic relations has changed from managing emotions to managing objectives. Europe's stance on Russia has evolved from cautious distrust to an acknowledgment of a security deficit. Its perspective on China has shifted from "shared property amid skepticism" to "coexistence while questioning". It can be argued that Europe's confidence in the key powers supporting the international security landscape has completely eroded, making it essential for Europe to strengthen its role as a security provider. However, Europe faces numerous obstacles and challenges in addressing its security deficiencies, as neither its strategic culture nor institutional mechanisms are well prepared for this transformation. As a result, the evolution of Europe's security role and capability-building efforts will likely be a lengthy process. If Europe fails to navigate this transition in security and defense successfully, the consequences could be fatal.



# China-EU Security Cooperation: Foundations, Pathways, and Challenges

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Cooperation between China and the EU in security issues has been limited to a few superficial areas since the two established a comprehensive strategic partnership. Their interactions only include official bilateral dialogues and some collaborations within the United Nations framework, such as anti-piracy operations in the Gulf of Aden and peacekeeping missions in Africa. The potential for China-EU security cooperation seems to be diminishing with the international landscape rapidly evolving and their relations becoming more complex. As two major global actors, however, China and the EU face a challenging global security environment. Strengthening security cooperation between them could not only support a healthier and more stable bilateral relationship but also enhance global and regional stability while contributing to reforms in the global security governance system.<sup>①</sup>

## 1. Foundations of China-EU Security Cooperation

Both China and the EU exhibit no ardency in strengthening security cooperation between them, and they seem to have little mutual understanding of how to achieve this. However, certain foundations do exist for the two sides to engage in stronger security cooperation and give rise to substantial opportunities for deeper interactions. Currently, the foundations of security cooperation between China and the EU primarily rest on shared perceptions of security, convergent global security visions, and common needs to address global and regional security concerns.

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<sup>①</sup> Julia Gurol, *The EU-China Security Paradox: Cooperation Against All Odds*, Bristol, UK: Bristol University Press, 2022, pp. 61-82.

## 1.1 Shared Perceptions of Security

China and the EU's shared understanding of security centers on a "comprehensive security approach". Such a comprehensive security approach recognizes that security challenges are interwoven and cannot be attributed to any single domain. Instead, it advocates for a holistic strategy that takes into account various dimensions and levels when analyzing and addressing security concerns.

In 2014, the Chinese government introduced a holistic approach to national security,<sup>①</sup> which integrates both external and internal security, the security of its territory and population, traditional and non-traditional threats, development and security issues, as well as national and collective security. This approach serves as a prime example of comprehensive security approach. Internationally, China's holistic approach to national security advocates a common, comprehensive, cooperative, and sustainable security concept. It urges all nations to align with the modern trends of peace, development, cooperation, and mutual benefit, aiming to find a new pathway to security featuring joint contribution, shared benefits, win-win results, and collaborative maintenance.

China's approach to national security evolved through several stages before the introduction of a holistic approach to national security. For a long time following the founding of the People's Republic of China, the country adhered to traditional security conceptions, viewing the state as the primary subject of security. The fundamental objective of security was perceived as safeguarding national existence and development, deterring external aggression, and preventing internal subversion, with a particular emphasis on territorial integrity and military security. It can be argued that China's early traditional security perceptions essentially equated security with military strategy. Following the end of the Cold War, the threats confronting China's national security

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<sup>①</sup> On April 15, 2014, at the first plenary session of the National Security Commission of the Communist Party of China, General Secretary Xi Jinping stated: "At present, the connotations and scope of China's national security are richer than at any other time in history. The temporal and spatial dimensions are broader than ever before, and the internal and external factors are more complex than ever. We must adhere to the holistic approach to national security, with people's security as the goal, political security as the foundation, economic security as the cornerstone, and military, cultural, and social security as safeguards, while relying on the promotion of international security to forge a path of national security with Chinese characteristics." See "First Meeting of the Central National Security Commission Held, Xi Jinping Delivers Important Speech", April 15, 2014, [https://www.gov.cn/guowuyuan/2014-04/15/content\\_2659641.htm](https://www.gov.cn/guowuyuan/2014-04/15/content_2659641.htm).

gradually extended from the traditional security domain to other areas, along with the deepening implementation of China's reform and opening-up policy and the growing intensity of economic globalization. Consequently, non-traditional security factors became increasingly prominent.<sup>①</sup> According to *China's National Defense in 2010*, "Security threats posed by such global challenges as terrorism, economic insecurity, climate change, nuclear proliferation, insecurity of information, natural disasters, public health concerns, and transnational crime are on the rise. Traditional security concerns blend with non-traditional ones and domestic concerns interact with international security ones, rendering it difficult for traditional security approaches and mechanisms to respond effectively to the various security issues and challenges in the world".<sup>②</sup> China's national defense white paper in 2013 further stressed the importance of non-traditional security issues. The holistic approach to national security has been consolidated since its introduction in 2014. This approach was formally adopted into law with the passage of the new *National Security Law* by the Standing Committee of the National People's Congress in 2015. In 2017, the report to the 19th National Congress of the CPC reiterated that "peace and development remain the themes of the times" while reaffirming its commitment to a holistic approach to national security. This shift in China's security discourse highlights a historical evolution through various security outlooks. The current focus on both traditional and non-traditional security, as well as national and global security, within a comprehensive framework, emphasizes the growing importance of the new approach.

From a European perspective, the end of the Cold War marked the beginning of a new era of security challenges. Issues such as terrorism, organized crime, and unauthorized migration began to affect internal security within the EU and destabilize neighboring regions. The digital transformation introduced new risks like cyber threats that crossed national borders. In the early 1990s, these emerging non-traditional security challenges pushed the EU to align its internal priorities with its Common Foreign and Security

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<sup>①</sup> Wang Mingsheng, "From Traditional Security Outlook to Holistic Approach to National Security Evolution, Achievements, and World Agenda of China's Security Outlook", *Asia-Pacific Security and Maritime Affairs*, No. 3, 2024, pp. 36-54.

<sup>②</sup> Information Office of the State Council of the People's Republic of China, "China's National Defense in 2010", March 31, 2011, [https://www.gov.cn/zhengce/2011-03/31/content\\_2618567.htm](https://www.gov.cn/zhengce/2011-03/31/content_2618567.htm).

Policy (CFSP) to address the increasingly interconnected nature of internal and external security concerns. In 2003, the European Council adopted the “European Security Strategy” based on the document *European Security Strategy -- A Secure Europe in a Better World*, which stated that “Instead, Europe faces new threats which are more diverse, less visible and less predictable”. The *Report on the Implementation of the European Security Strategy* in 2008 outlined the EU’s key security priorities, including energy security, climate change, cybersecurity, and other non-traditional security challenges. In 2020, the European Commission developed the *EU Security Union Strategy* to establish a series of security concepts for the 2020-2025 period. It pointed out that “Europeans today face a security landscape in flux, impacted by evolving threats as well as other factors including climate change, demographic trends and political instability beyond our borders... They can be manipulated by terrorism, organised crime, the drugs trade and human trafficking, all direct threats to citizens and our European way of life. Cyber-attacks and cybercrime continue to rise...” and it further declared, “Protecting the Union and its citizens is no longer only about ensuring security within the EU borders, but also about addressing the external dimension of security”.<sup>①</sup> This approach reflects the EU’s shift since the end of the Cold War toward managing non-traditional security threats and integrating internal and external security concerns into its security strategy.

The EU’s focus on integrating internal and external security, particularly its attention to non-traditional security threats, aligns with its long-held identity as a “civilian power” or “normative power”. Most of its CFSP tasks revolves around civilian efforts, such as police training and activities in the justice sector. As Karen Smith outlined in 2003, the EU remains distinctly inclined towards proactive civilian measures rather than coercive military actions. Its emphasis lies in the EU... possessing a variety of civilian instruments, which uniquely positions it to contribute to both conflict prevention and the management of its aftermath.<sup>②</sup> While holding a civilian-focused security role, the EU has strategically

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<sup>①</sup> European Commission, “Communication From the Commission on the EU Security Union Strategy”, COM(2020) 605 final, July 24, 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0605>.

<sup>②</sup> Niall Duggan, “The People’s Republic of China and European Union Security Cooperation in Africa: Sino-EU Security Cooperation in Mali and the Gulf of Aden”, *International Journal of China Studies*, Vol.8, No.1, 2017, pp. 1-23.

delegated the “hard security” responsibilities to NATO.<sup>①</sup> However, the Russo-Ukrainian conflict is reshaping the EU’s traditionally limited role in “hard security”, driving a renewed focus on geopolitical conflicts and a reorientation in geopolitics. This shift is reflected in the pursuit of autonomy in defense, driving the EU and its member states to increase their investments in military capabilities. Since the onset of the Russo-Ukrainian conflict, European nations have increased their military budgets, enhanced their weaponry, and worked toward greater harmonization of weapon systems and defense markets within the EU. Nevertheless, non-traditional security remains a central priority for the EU, especially given the growing challenges of migration, terrorism, environmental degradation, and rapid digitalization. This analysis highlights a strategic common understanding in the security perspectives of China and the EU. Both emphasize the interconnected nature of internal and external security and recognize the importance of tackling transnational non-traditional security challenges that require international cooperation.

## **1.2 Shared Security Visions and Principles of Multilateral Security Cooperation**

China and the EU have similar strategic objectives and pathways for realizing them while sharing certain security perspectives. Both aim to promote peace and stability internally and in neighboring areas and the broader international community. They also share a commitment to a multilateral approach to security cooperation.

### **1) Shared Security Visions**

A stable internal and external environment is a goal for both China and the EU. In terms of external security, both seek to strengthen global governance, support the resolution of hotspot issues, and foster regional stability. The European Security Strategy of 2003 states the aims of the EU within the wider world are to uphold and promote its values and interests; contribute to peace and security and the sustainable development of the Earth.<sup>②</sup> According to Article 21 of the *Treaty on European Union*, the EU’s CFSP aims to preserve peace and strengthen international security, promote international

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<sup>①</sup> Ibid.

<sup>②</sup> European Union, “Aims and Values”, [https://european-union.europa.eu/principles-countries-history/principles-and-values/aims-and-values\\_en](https://european-union.europa.eu/principles-countries-history/principles-and-values/aims-and-values_en).

cooperation, develop and uphold democracy and the rule of law, and respect human rights and fundamental freedoms.

China's holistic approach to national security focuses on national security while also stressing collective security, building a community of shared future, and encouraging all parties to pursue mutually beneficial security goals. This approach underscores the interconnectedness and common interests of nations around the world. In April 2022, China introduced the Global Security Initiative, promoting the idea of building a shared future for humanity with the ultimate aim of achieving peace and stability for all nations. China prioritizes fostering economic and social progress in its pursuit of international security because the Chinese government believes that development is the foundation of security, while security is essential for development.

Despite the differences in their security vision on different levels, both China and the EU ultimately aim to achieve regional and international peace and stability, paving the way for alignment in external security policies and potential collaboration. In Africa, for example, both parties are dedicated to promoting peace and security, supporting the African Union's *Agenda 2063* to eradicate violent conflict by 2020, endorsing peacekeeping operations on the continent, and backing African Union-mandated forces in their fight against terrorist groups like Boko Haram.<sup>①</sup> While their visions are not fully aligned and some contradictions may arise, these common aspirations create conducive conditions for enhanced security cooperation between China and the EU.

## **2) Multilateral Security Cooperation Principles**

China's engagement in multilateral international mechanisms has been a gradual and evolving process. In the 1990s, China's efforts to join the WTO and its participation in United Nations-led peacekeeping operations were key milestones that demonstrated its commitment to integrating into the global multilateral system. By the early 2000s, China took a more proactive approach to multilateralism, exemplified by its initiative to create platforms like the Shanghai Cooperation Organization (SCO) in 2001. Following this, China played an active role in founding multilateral organizations such as BRICS.

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<sup>①</sup> Chloë Gotterson and Bernardo Mariani, *Challenges and opportunities for peace and security cooperation*, November 15, 2016, <https://www.friendsofeurope.org/insights/challenges-and-opportunities-for-peace-and-security-cooperation-2/>.

Building on this foundation, China's foreign and security policies officially shifted towards more active engagement and even leadership in multilateral affairs, particularly evident in its involvement in multilateral security arrangements in Asia. Some Western scholars have described China's approach to multilateralism as "selective multilateralism" due to China's absence from Western-dominated multilateral organizations that mainly represent Western interests, as well as its doubts about the effectiveness of these platforms.

The EU has long been a strong advocate and supporter of multilateralism. The European Security Strategy of 2003 reaffirmed the EU's commitment to multilateralism, emphasizing the importance of various multilateral forums, particularly the UN. The EU considers the UN a primary platform for achieving "effective multilateralism". It is worth noting that the EU did not explicitly rule out the use of coercive military action without security guarantees from the UN, for example, it intervened in Kosovo without authorization from the UN Security Council, as well as its involvement in Iraq, Libya, and Syria.<sup>①</sup> These suggest that the EU has a specific understanding and interpretation of multilateralism and does not reject the possibility of unilateral actions. However, it still considers multilateralism a fundamental principle of its operations. In 2019, Federica Mogherini, who was then the High Representative of the Union for Foreign Affairs and Security Policy, stated that "at a time when the idea of a cooperative global order has come under increasing pressure, we have invested in multilateralism like never before – and we have always invested in multilateralism" and claim many countries see the EU as the "last truly committed defender of multilateralism".<sup>②</sup>

Despite differences in how they interpret and apply multilateralism, both China and the EU clearly support multilateralism, at least in principle. They view it as a vital aspect of their respective foreign policies, including their external military relations. However, they may differ in implementing multilateralism in real policies.

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<sup>①</sup> Sven Biscop and Siobhán Gabriella Gibney, "Multilateralism at the Heart of the European Security Strategy", EU-GRASP Working Paper No. 13, June 2010, <https://cris.unu.edu/multilateralism-heart-european-security-strategy>.

<sup>②</sup> David O'Sullivan, "The European Union and the Multilateral System Lessons from Past Experience and Future Challenges", *European Parliament*, PE 689.365, March 2021.

### **1.3 Common Needs to Address Complex and Challenging Global Security Issues**

A crucial factor is the need for China and the EU to collaborate in addressing various global issues related to security. The world faces a range of unprecedented political and security issues, including transnational terrorism, nuclear proliferation, environmental degradation, and organized crime, not only jeopardizing regional security and stability but also endangering the overseas economic interests of both China and the EU. As the Belt and Road and other outward-facing initiatives of China continue to expand, these challenges become increasingly pressing to China. For example, regional instability caused by terrorism threatens China's economic interests and endangers the safety of its personnel in Africa. Similarly, organized crime, such as piracy, poses risks to Chinese merchant vessels on the sea. The EU also needs security cooperation to protect its economic interests and political influence, particularly in Africa. The region's ongoing instability, armed conflicts, and non-traditional security risks threaten the EU's strategic interests and presence there. Additionally, maintaining security interests in East Asia and the Middle East has become a priority for the EU, driven by the need to safeguard its commercial interests as well as its ambition to expand political influence and advance its geopolitical transition.

As China and the EU expand their global interests, they are confronted with a growing array of complex and diverse security challenges. Whether motivated by the need to protect economic interests, strategic influence, or geopolitical advantages, both share the common goal of maintaining security and stability in specific regions. The EU and China have significant differences in their security concerns and interests in East Asia, potentially hindering cooperation and even raising the risk of conflicts. However, their security objectives align in regions further from China's immediate borders. At least, they have no clear conflicts of interest in these areas, and the challenges they face are largely rooted in non-traditional security threats. This situation creates opportunities for both sides to collaborate on global security efforts.

### **1.4 Absence of Strategic Security Conflicts**

From China's perspective, the EU is not seen as a military power, as it lacks a significant military projection in Asia. China does not view the EU as a direct threat to its national



security. Additionally, China does not view the EU as a direct threat to its national security because of the substantial geographical distance between them and the absence of territorial disputes. Issues related to Hong Kong have become less of a friction point in China-EU relations after Brexit, particularly regarding territorial and sovereignty concerns. While the EU may not agree that geographical distance fully insulates China-EU relations from geopolitical tensions, the reality of this distance and the absence of territorial disputes certainly help reduce the chances of a direct military confrontation between the two. Rather than seeing the EU as a security rival or threat, China views it as a potential security partner on the global stage. In its *China's Policy Paper on the European Union* in 2018, the Chinese government expressed a readiness to work with the EU in areas like export controls for non-proliferation, counterterrorism, and cooperation between police forces.<sup>①</sup>

From the EU's perspective, China has been traditionally regarded as a global security partner rather than a strategic threat. Catherine Ashton, the EU's former High Representative for Foreign Affairs and Security Policy, expressed the EU's desire to strengthen practical cooperation with China in areas of high-level dialogs, anti-piracy efforts, peacekeeping, and international and regional security. Additionally, the *Guidelines on the EU's Foreign and Security Policy in East Asia* specifically recognized China as a key partner in addressing security issues in the region.<sup>②</sup> However, international events like the outbreak of the Russo-Ukrainian conflict have prompted the EU to start seeing China as a geopolitical competitor or a "systemic rival". This sentiment on geopolitical confrontation with China does not necessarily imply an immediate or inevitable transition into direct security competition or hostility between the two sides. While some European voices push for framing China as a security threat, the EU has not officially categorized China as a strategic or military adversary on the military level. The potential for collaboration remains significant at the global level, especially in the area of non-traditional security.

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<sup>①</sup> The State Council of the People's Republic of China, "China's Policy Paper on the European Union", December 18, 2018, [https://www.gov.cn/guowuyuan/2018-12/18/content\\_5349904.htm](https://www.gov.cn/guowuyuan/2018-12/18/content_5349904.htm).

<sup>②</sup> Council of the European Union, "Guidelines on the EU's Foreign and Security Policy in East Asia", [https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/97842.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/97842.pdf).

## 2. Optimal Pathways for China-EU Security Cooperation

In its *EU-China – A strategic outlook* released in 2019, the EU highlighted that “EU and Chinese coordinated approaches to counter-piracy operations in the Gulf of Aden and off the Horn of Africa have increased security of shipping in those areas. Further cooperation remains important in reinforcing political trust. China will play an important role in ensuring the denuclearisation of the Democratic People’s Republic of Korea. The EU also wishes to work together with China to support the future peace process in Afghanistan and on tackling the Rohingya crisis in Myanmar.<sup>①</sup> The 2020 China-EU online summit reaffirmed these shared priorities for security cooperation. However, to truly deepen their security partnership and contribute to regional and global stability, China and the EU should work together effectively in the following areas.

### 2.1 Mechanism Development: Bilateral Security Dialogs, Work Coordination, and Consensus Formation

Currently, discussions between China and the EU during their regular meetings are organized around three main pillars: strategic dialogs, economic and trade dialogs, and cultural dialogs. They also hold annual summits between leaders and conduct dialogs across more than 70 areas at various levels, including security cooperation. Although security cooperation is part of the broader China-EU strategic partnership, it is not a central focus of their discussions.

The most recent security dialog, the 14th annual consultations on security and defense between China and the EU, took place in March 2024. It was co-chaired by representatives from the Office for International Military Cooperation of the Central Military Commission of the CPC and Peace, Security and Defense of the European External Action Service. During the dialog, both sides shared perspectives on various topics of mutual interest, including Sino-European relations, defense cooperation, and international and regional developments. Dialogs like this are primarily symbolic and limited to exchanging information and viewpoints without producing any concrete plans for cooperation or specific actions.

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<sup>①</sup> European Commission, “EU-China – A Strategic Outlook”, March 12, 2019, <https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf>.

To promote more effective and sustainable bilateral security cooperation, China and the EU need to establish more effective mechanisms, as described below. First, the two sides should pay greater attention to security dialogs and cooperation adapted to changing situations and develop mechanisms of dialogs on an equal basis. After the *Treaty of Lisbon* came into effect, the EU's previous three-pillar structure was replaced, allowing for greater flexibility and a stronger capacity for external actions through the CFSP. This change has improved the EU's ability to address external security issues. In response, China could create a cross-departmental coordination mechanism at the government level that includes defense agencies, the Ministry of Finance, and other civilian ministries. This would enable mechanisms of dialog between counterparts from both sides and facilitate meaningful bilateral cooperation. Second, mechanisms of dialogs between China and the EU should be clearly categorized by functionality, focusing on exchanges of information and perspectives, consultations specific to issues, and building consensus on security views and concepts. This requires moving beyond purely symbolic discussions to promote substantive cooperation in China-EU security cooperation. Efforts should be made to foster more shared understanding in the security realm, align strategic concepts and objectives, and establish foundations and conditions for joint actions. The more shared understanding and consensus between China and Europe, the greater the potential to promote pragmatic cooperation and to propose actionable roadmaps and contribute collective wisdom for global peace and stability. Third, China and the EU should strengthen their collaboration within multilateral institutions, particularly under the United Nations framework, besides bilateral mechanisms, given both of them prioritize multilateralism in security governance. This could involve establishing security consultation mechanisms or holding joint meetings to coordinate peacekeeping operations and other responses to critical global security issues.

## **2.2 Action Plans: Specific Areas of Functional Security Cooperation**

With effective mechanisms in place, China and the EU can engage in meaningful cooperation across various functional areas, facilitating the implementation of joint action plans. Currently, key areas for potential cooperation include arms control (issues related to the proliferation of nuclear weapons and small arms), peacekeeping operations, counterterrorism and counter-piracy, organized crime, cybersecurity, and other critical regional security issues.

## 1) Nuclear Non-proliferation and Arms Control

China and the EU have made progress in enhancing their cooperation on arms control and disarmament, with a strong focus on nuclear non-proliferation. As nuclear powers, both share common interests in preventing the spread of nuclear weapons. The EU's *Strategic Compass for Security and Defence* states: "We will uphold, support and further advance the disarmament, non-proliferation and arms control framework. We will continue to support the centrality of the *Treaty on the Non-Proliferation of Nuclear Weapons* and stress the need to implement all obligations under it, and commitments during previous Review Conferences... with the ultimate goal of total elimination of nuclear weapons". It also argues that in this regard, "A coordinated approach with partners is also essential... We will continue to call for reduction of arsenals by the States with the largest nuclear arsenal through post-New START agreements, including strategic and non-strategic, deployed nuclear weapons, and further discussions on confidence-building measures, verification, transparency on nuclear doctrines and strategic risk reduction measures".<sup>①</sup> China is a strong advocate for nuclear non-proliferation, consistently urging nuclear-armed states to gradually reduce and eventually eliminate their nuclear arsenals. This mutual commitment to the principles of nuclear non-proliferation has become a key element of the broader political and security relations between China and the EU. This shared stance is frequently emphasized during their annual summits and strategic dialogs. In the *Joint Declaration of the People's Republic of China and the European Union on Non-proliferation and Arms Control* released in 2004, "China and the EU agree that prevention of proliferation of nuclear, chemical and biological weapons should not hamper international cooperation in materials, equipment and technology for peaceful purposes while goals of peaceful utilization should not be used as a cover for proliferation... Recognising each other as a major strategic partner in the area of disarmament and nonproliferation, China and the EU will deepen their cooperation in these pursuits and promote close policy dialogues at various levels at opportunities presented by the major international conferences and other fora".<sup>②</sup> The

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<sup>①</sup> "Pillar 2: Secure - Strategic Compass of the European Union", Cyber Risk GmbH, [https://www.strategic-compass-european-union.com/2\\_Secure\\_Strategic\\_Compass.html](https://www.strategic-compass-european-union.com/2_Secure_Strategic_Compass.html).

<sup>②</sup> Ministry of Foreign Affairs of The People's Republic of China, "Joint Declaration of the People's Republic of China and the European Union on Non-proliferation and Arms Control", December 8, 2004, [http://nl.china-embassy.gov.cn/eng/zgsk/zl/zhohw/200412/t20041215\\_2906949.htm](http://nl.china-embassy.gov.cn/eng/zgsk/zl/zhohw/200412/t20041215_2906949.htm)

*EU-China 2020 Strategic Agenda for Cooperation* released in 2013 reaffirmed their commitment to collaborate on security issues, including nuclear non-proliferation.<sup>①</sup> In May 2024, China and the EU held their latest dialog on non-proliferation and disarmament, covering topics like the Russo-Ukrainian conflict, North Korea, Iran, artificial intelligence, and the review process of the NPT.<sup>②</sup>

There is also potential for increased cooperation between China and the EU in conventional arms control. While both are significant exporters of conventional weapons, they are obliged to make coordination efforts to ensure that these exports do not become destabilizing factors in various regions. For instance, the influx of conventional weapons into Africa has considerably contributed to regional instability. To achieve stability in Africa and protect shared economic and trade interests, both China and Europe have the motivation and responsibility to engage in bilateral cooperation to balance arms exports and prevent the uncontrolled proliferation of conventional weapons. The EU believes that China's approach to interpreting and implementing arms control regulations lacks clarity and specificity, without a well-defined risk assessment process for approving specific arms transactions. Additionally, China and the EU hold differing views on the legitimacy and criteria for authorizing such transactions. China refuses to sign the *Arms Trade Treaty* by claiming some of its provisions are unjustifiable. To move forward, China and the EU should work towards building a consensus on their respective positions regarding global conventional arms control, paving the way for concrete joint action plans in arms control and transfer.

## **2) Peacekeeping Operations**

Engaging in and strengthening international peacekeeping operations within the United Nations framework aligns with the interests of both China and the EU. Since its first peacekeeping missions in the 1990s, China has leveraged these endeavors to assume international responsibilities commensurate with its growing power, foster further

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<sup>①</sup> Nicola Casarini and Xinning Song, "Aims versus Deeds: EU–China Cooperation in Nuclear Nonproliferation", in Emil J. Kirchner, Thomas Christiansen and Han Dorussen (eds.), *Security Relations Between China and the European Union: From Convergence to Cooperation?*, Cambridge: Cambridge University Press, 2016, pp. 63-80.

<sup>②</sup> Delegation of the European Union to the People's Republic of China, "EU-China Non-Proliferation and Disarmament Dialogue Takes Place in Beijing", May 30, 2024, [https://www.eeas.europa.eu/delegations/china/eu-china-non-proliferation-and-disarmament-dialogue-takes-place-beijing\\_en?s=166](https://www.eeas.europa.eu/delegations/china/eu-china-non-proliferation-and-disarmament-dialogue-takes-place-beijing_en?s=166).

opening, and integrate into the global community. Today, as China's economic interests become increasingly global and its investments under the Belt and Road Initiative expand, China demonstrates a stronger desire to contribute to regional stability through participation in international peacekeeping. For instance, the Chinese Ministry of National Defense issued a document in 2015, outlining the People's Liberation Army's top priority as "safeguarding the security of China's overseas interests".<sup>①</sup>

The EU places increasing importance on international peacekeeping. By following its Common Security and Defense Policy (CSDP), the EU actively engages in peacekeeping, conflict prevention, and bolstering global security, having demonstrated its crisis management capabilities by combining civilian and military resources. Currently, the EU has around 3,500 military personnel and 1,300 civilian personnel deployed worldwide. Since the first CSDP missions and operations were launched in 2003, the EU has undertaken over 40 overseas operations, using civilian and military missions and operations in several countries in Europe, Africa and Asia by 2023. Currently, there are 24 ongoing EU CSDP missions and operations, including 13 civilian, 10 military and 1 civilian and military initiative.<sup>②</sup>

As China and the EU increase their involvement in peacekeeping operations, their collaboration in this field has grown stronger. Past joint efforts were positive precedents, such as evacuating citizens from Libya, China's peacekeeping cooperation with the Netherlands in Africa, and their joint naval escort missions in the Gulf of Aden. These initiatives have a solid foundation of mutual trust and cooperative experience. Moving forward, both sides could explore opportunities for deeper collaboration within the framework of international peacekeeping operations.

### **3) Counterterrorism, Counter-piracy, and Combating Transnational Crime**

While peacekeeping, in a broader sense, covers counterterrorism and counter-piracy, they are not strictly limited to peacekeeping missions. In 2008, the EU launched Operation Atalanta, its first naval mission under the CSDP. This operation aimed to protect vessels from the World Food Programme, the African Union Mission to Somalia (AMISOM), as

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<sup>①</sup> The State Council of the People's Republic of China, "China's Military Strategy", May 26, 2015, [https://www.gov.cn/zhengce/2015-05/26/content\\_2868988.htm](https://www.gov.cn/zhengce/2015-05/26/content_2868988.htm).

<sup>②</sup> European Union External Action, "Missions and Operations: Working for a Stable World and a Safer Europe", January 23, 2023, [https://www.eeas.europa.eu/eeas/missions-and-operations\\_en](https://www.eeas.europa.eu/eeas/missions-and-operations_en).

well as fishing and merchant ships in the area. These naval operations were carried out independently of other EU mission deployments.

China has primarily focused on “ensuring the safety of Chinese vessels transiting the Gulf of Aden” through its independent escort operations, without joining any alliance for its escort operations. However, it remains open to international cooperation. In November 2009, the Chinese Ministry of Foreign Affairs announced plans to host an international conference with the EU, NATO, Russia, and Japan to enhance coordination in counter-piracy operations in the Gulf of Aden. At the conference, China proposed coordinating actions among NATO, the EU, and other naval forces to realize “Shared Awareness and Deployment (SHADE)” based on United Nations resolutions. This highlights China’s view of the EU as an important partner in counter-piracy and counter-transnational crime efforts.

Counterterrorism is another crucial area for collaboration between China and the EU, as both sides aim to maintain regional stability. Efforts in counterterrorism should be closely integrated with peacekeeping operations, especially in regions like Africa, where peacekeeping missions often involve tackling extremist groups and combating terrorism. China and EU have different approach to out the root causes of extremism. The EU focuses on cutting off funding for terrorists and preventing extremism, while China emphasizes economic development and regional stability as key solutions. However, both sides agree that need to address the root causes of terrorism, so effective coordination is essential before initiating joint counterterrorism operations.

Organized crimes are frequently associated with terrorism, but they are not the same. Organized criminal activities such as human trafficking, facilitating illegal migration, and drug trafficking are transnational crimes where China and the EU can broaden their collaboration, particularly through coordinated actions under Interpol. These crimes are not driven by ideology or geopolitical rivalries, and they are condemned by nations and international organizations worldwide. This creates significant opportunities for China and the EU to work together in these areas, which are aligned with their respective and mutual interests.

#### **4) Cooperation in the Digital and Cybersecurity**

The rapid advancements in digital technology and their significant impact on the international community have made cybersecurity a vital component of non-traditional

security governance. However, cybersecurity was largely overlooked in China-EU security cooperation for a long time. It was not until 2013 that the EU and China formally expressed an interest in cooperating on cybersecurity, however, both sides have developed their own approaches to cybersecurity, with differences in content, scope, and principles, as well as in the perceived threats in global cyberspace.<sup>①</sup> Dialogs, exchanges, and collaborative efforts are essential between the two sides in light of their respective ongoing efforts to strengthen cybersecurity measures.

China considers cybersecurity a crucial element of its national security and actively promotes global cooperation in this area. In September 2022, the Cyberspace Administration of China released a draft proposal to amend the *Cybersecurity Law of the People's Republic of China*. The amendment was intended to strengthen legal accountability for cybersecurity, ensuring it aligns with new legislations and further protecting cybersecurity. On international multilateral platforms, China continues to call for implementation of the Global Security Initiative by all parties, uphold genuine multilateralism, and enhance cooperation in cybersecurity.

The EU established the European Union Agency for Cybersecurity in 2004 to promote knowledge sharing and improve “best” practices among its member states. By 2007, cybersecurity had become a key priority on the EU’s political agenda. The EU’s digital policy has continued to evolve since then. In 2010, it launched the *Digital Agenda for Europe*, which set goals for cybersecurity governance and stressed the importance of partnering with global partners to tackle cybersecurity challenges in both civilian and military domains.<sup>②</sup>

China and the EU have developed a multi-layered dialogue mechanism for cybersecurity cooperation, engaging in dialogue on information and communications technology (ICT) and digitalization. This includes the establishment of the China-EU Cybersecurity Working Group and the China-EU Digital Economy and Cybersecurity Expert Group. Alongside its ongoing cooperation with the EU, China has also forged bilateral cybersecurity partnerships with several European countries, including the UK, France,

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<sup>①</sup> Sebastian Bersick, George Christou and Shen Yi, “Cybersecurity and EU-China Relations”, in Emil J. Kirchner, Thomas Christiansen and Han Dorussen (eds.), *Security Relations Between China and the European Union: From Convergence to Cooperation?*, Cambridge: Cambridge University Press, 2016, pp. 167-186.

<sup>②</sup> Ibid.



and Germany. These efforts include regular high-level security dialogs, serving as key platforms for joint actions to combat cybercrime and enhance cybersecurity.<sup>①</sup> China has drawn on the EU's experience with the *General Data Protection Regulation* when drafting its own digital laws, such as the *Cybersecurity Law*.

Currently, the depth of China-EU cooperation in this area remains limited. Beyond formal dialogs, there is a lack of deep mutual trust and truly substantive collaborative efforts. China and the EU should engage in thorough discussions on key topics, such as balancing cyber regulation while ensuring the convenience and security of cross-border data flows. They may also focus on more meaningful exchanges and mutually knowledge sharing at a practical level. Resolving controversies between China and the EU over cybersecurity requires constructive dialogs and coordinated efforts. Both sides should continue working to address challenges related to the growth of their businesses in each other's markets. As Chinese digital technologies and network applications spread in Europe, it is crucial to strike a balance between security risk management and the legitimacy of data flows, which will require extensive dialogs and collaboration across government, corporate, and societal levels. Unilateral restrictions, suppression, or cyberattacks driven by political motivations would be acceptable and hinder progress in China-EU cybersecurity cooperation. In addition to managing bilateral cybersecurity, a key area of collaboration is addressing global cybercrime and other cybersecurity challenges to prevent terrorist and transnational criminal groups from penetrating into and harming the cyber domain.

##### **5) Climate and Energy Security Cooperation**

Climate change has become a major global concern and is widely considered a non-traditional security issue. China-EU cooperation in this domain holds immense significance and presents substantial opportunities. Carbon emissions from fossil fuel use are a key contributor to climate change, so energy security is closely intertwined with climate security. International collaboration in the energy sector is essential for tackling the challenges of climate change.

China recognized the connection between climate and energy issues and their national

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<sup>①</sup> Qiu Jing, "Opportunities and Challenges Coexist in China-EU Cybersecurity Cooperation", *China Today*, November 15, 2022, [http://www.chinatoday.com.cn/zw2018/zgysj/202211/t20221115\\_800313597.html](http://www.chinatoday.com.cn/zw2018/zgysj/202211/t20221115_800313597.html).

security implications in early 2000s. The white paper *China's National Defense in 2008* identified climate change, energy security and other non-traditional security issues were “becoming increasingly prominent”. *China's National Defense in 2010* further highlighted that non-traditional security concerns, such as energy and resources, are on the rise. As climate concerns have grown, the Chinese government has placed increasing emphasis on climate and energy as critical non-traditional security challenges. For the EU, climate and energy security challenges are relatively recent among non-traditional security threats. The EU began to identify these issues as security concerns around 2003 and included them as key challenges in the *Report on the Implementation of the European Security Strategy* in 2008. Addressing climate and energy security challenges has since become a central goal of the EU's climate diplomacy.

The shared understanding of the risks posed by climate change and related energy security issues has prompted both China and the EU to expand their international cooperation, opening up opportunities for joint efforts. The institutionalized climate cooperation between China and the EU dates back to 2005, when both sides agreed to establish a climate change partnership, which became the foundational framework for their official collaboration. In 2021, China and the EU launched a high-level dialog on environment and climate. They have also collaborated closely at the Conference of the Parties (COP) under the United Nations Framework Convention on Climate Change (UNFCCC), including issuing joint statements in advance of the Paris and Glasgow climate summits. The EU-China Partnership on Climate Change framework also includes technical discussions. Since 2014, the EU and China have exchanged insights on their respective emission trading schemes (ETS) to help China develop and enhance its own ETS. Since 2022, they have also begun discussions on reducing methane emissions. In July 2023, the fourth High-level Environment and Climate Dialogue between China and the European Union (HECD) agreed to create a dedicated dialog focused on the EU's Carbon Border Adjustment Mechanism (CBAM). These bilateral talks have led to several cooperation agreements, including the *China-EU Joint Declaration on Energy Security* and the *EU-China Leaders' Statement on Climate Change and Clean Energy*.<sup>①</sup>

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<sup>①</sup> Julia Gurol, *The EU-China Security Paradox: Cooperation Against All Odds*, Bristol, UK: Bristol University Press, 2022, pp. 116-136.

Despite their shared commitment to bilateral cooperation in climate and energy security and the establishment of formal collaborative channels, there is still a pressing need for deeper engagement. As the global challenge of climate change grows more urgent, significant gaps remain for the two sides in enhancing the effectiveness of multilateral climate governance, increasing financial, technological, and industrial support for the international community in addressing extreme weather events and facilitating energy transitions, and promoting bilateral cooperation in developing and implementing green energy technologies. If China and the EU fail to collaborate in good faith within the current climate security governance and energy transition process, where action is crucial, they risk missing a vital opportunity, which could lead to stagnation or even setbacks in global climate security governance and green transition efforts.

#### **6) Resolution of Regional Hotspots**

In recent years, the frequency and intensity of regional conflicts have increased, causing significant disruptions to the peaceful development of various countries and regions while also inflicting considerable damage to global economic prosperity and peace. Addressing these conflicts usually requires collective action from the international community. Cooperation between China and the EU in tackling regional conflicts is both feasible and essential given their shared responsibility and ability to promote international peace and stability, as well as to resolve these issues politically through diplomatic means.

Currently, among the most pressing conflicts are the Russo-Ukrainian conflict and the Israeli-Palestinian conflict. Although there are significant differences in positions and conflicting interests between the two sides regarding the Russia-Ukraine conflict, there is broad consensus on restoring regional order and stability, ending the conflict through peaceful negotiation, opposing the use of nuclear weapons, preventing the spillover effects of the conflict, and providing humanitarian assistance to Ukraine. This common ground has encouraged some European nations, like France, to collaborate with China on this issue. China has engaged with key stakeholders, including Germany, France, Poland, and EU institutions, in rounds of diplomatic efforts initiated by China to address these conflicts. The Israeli-Palestinian conflict has considerable regional consequences, and the threat of continued unrest or full-scale war in the Middle East contradicts the shared interests of both China and the EU. While their capabilities, approaches, and

engagement methods differ, China and the EU have common ground and opportunities for collaboration in fostering regional stability, restoring humanitarian order for the Palestinians, and ultimately striving for a “two-state solution”. In addition to these two conflicts, both sides can engage in constructive dialogs and coordination to help resolve internal conflicts in Myanmar, address the North Korean nuclear issue, tackle the Iranian nuclear issue, and manage conflicts in Africa.

China and the EU also have the potential for broader and deeper collaboration in areas like food and biological security, environmental security, and space security management.

### **3. Challenges to China-EU Security Cooperation**

Despite shared foundations, necessity and potential for security cooperation between China and the EU, structural differences and contradictions in their ideologies and strategic objectives present major obstacles and constraints to the breadth and depth of the security cooperation between them. Recognizing the challenges is essential for fostering a more pragmatic and effective approach to their bilateral cooperation.

#### **3.1 EU Starts to View China as a “Security Challenge”**

Due to lack of political trust and a perspective of geopolitical competition, the EU has labeled China as a “strategic systemic rival”, engaging in “limited confrontation” in the security realm. In a 2019 document, the European Commission claimed: “China’s increasing military capabilities coupled with its comprehensive vision and ambition to have the technologically most advanced armed forces by 2050 present security issues for the EU, already in a short to mid-term perspective. Cross-sectoral hybrid threats including information operations, and large military exercises not only undermine trust, but also challenge the EU’s security and must be addressed in the context of our mutual relationship”.<sup>①</sup>

This view of China as a security challenge has sparked discussions within NATO about how to respond to China’s strategic rise and strengthen cooperation with key partners in the Indo-Pacific region. At the 2019 London Summit, NATO officially identified China as a key topic, recognizing that China’s “growing influence and international policies

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<sup>①</sup> European Commission, “EU-China – A Strategic Outlook”, March 12, 2019, <https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf>.

present both opportunities and challenges”. The 2021 NATO Brussels Summit explicitly noted that “China’s stated ambitions and assertive behaviors present systemic challenges to the rules-based international order and to areas relevant to Alliance security”. The *Strategic Concept* approved at the 2022 Madrid Summit offers a detailed analysis of how China’s actions challenge core NATO values and interests, and denounces China’s use of economic leverage to create strategic dependencies. It puts emphasis on China’s and Russia’s mutually reinforcing attempts to undercut the rules-based international order. At the 2023 summit in Vilnius, NATO Leaders urged China “to cease amplifying Russia’s false narrative blaming Ukraine and NATO for Russia’s war of aggression against Ukraine, and to adhere to the purposes and principles of the UN Charter”.<sup>①</sup> While NATO does not officially represent the EU, it consists mainly of European nations. As a result, NATO’s position mirrors the negative and somewhat hostile view towards China’s security posture held by the US and most European member states. The EU and European nations’ growing tendency to label China as a security challenge will create significant barriers to China-EU security cooperation.

### **3.2 Remarkable Differences in Threat Perceptions and Key Areas of Security**

Despite the existence of certain shared security visions between China and the EU on a global or regional level, a clear gap in common strategic goals becomes evident when dealing with specific security issues. The two sides have differing levels of concern about various security challenges.

For instance, the EU views Russia as its most urgent and immediate security threat in the defense realm, while China is more focused on the security situation in the Taiwan Strait and nearby regions. As a result, each side is more concerned about the threats in their own regions and believes that these threats are the most urgent and critical ones, leading to a notable divergence in their primary security concerns in the defense realm. Both China and the EU recognize potential conflicts in the Taiwan Strait and South China Sea as significant defense challenges, but they have different considerations. For Europe, a possible military conflict in the Western Pacific would impact its freedom of navigation and economic interests, with China often seen as a source of regional security challenges.

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<sup>①</sup> Luis Simón, “NATO’s China and Indo-Pacific Conundrum”, *NATO Review*, November 22, 2023, <https://www.nato.int/docu/review/articles/2023/11/22/natos-china-and-indo-pacific-conundrum/index.html>.

In contrast, China views such conflicts as threats to its survival. As a result, the possibility of security cooperation between China and the EU in this region is low due to the lack of political mutual trust between them though both sides consider potential military conflicts around China, such as the Taiwan Strait and the South China Sea, as security threats. Due to the significant differences in threat perception and cognitive differences between the two sides, the above situation also helps explain why China and the EU are unable to engage in deeper cooperation on the issue of the Russia-Ukraine conflict. Strategically, the EU sees the weakening of the current international order as its most persistent and significant challenge, viewing China as a major contributor to this shift. This is reflected in China's efforts to "establish self-centered international multilateral organizations outside the Western-dominated framework and promote its own international agenda," particularly including initiatives like the Belt and Road Initiative. As a result, the EU sees China as a challenger to the Western-led order and a source of security threats, hence viewing China as a geopolitical competitor while turning their bilateral economic and trade ties into security topics. However, the shifts in the international order are more complex, with multiple causes and implications from China's perspective. While benefiting from the current order, China's position is to maintain stability while advocating reforms. This viewpoint aligns with a broader consensus among Global South countries and represents a new trend that Europe needs to fully understand.

### **3.3 Different Perceptions Result in Divergent Action Plans**

Differences in security perceptions between China and the EU, particularly in how they understand the causes and solutions to external security challenges, have become significant barriers to deeper cooperation. These differing perceptions and resulting divergences in action plans are evident in the following areas.

#### **1) Views on the Roots and Prevention of Security Issues**

China maintains that development is the most effective guarantee of security. Only with opportunities for sustainable development can a nation or region eliminate poverty and instability and achieve lasting stability. In contrast, the EU is not fully convinced that development alone guarantees stability and peace. Instead, it emphasizes the importance of maintaining robust military capabilities and deterring potential security threats as the most effective means of ensuring security. Such difference in perceptions between China

and the EU led to differing policy approaches to regional hotspots. For example, when addressing regional conflicts caused by terrorism, China tends to focus on developing economic and trade relations with relevant countries and regions, helping to improve infrastructure and other governance and development measures. At the same time, China supplements these efforts with peacekeeping operations and extensive development aid to address the root causes of the issues. On the other hand, the EU is more inclined to strengthen military cooperation with regional countries to directly confront opposing forces, and to enhance the military capabilities of the sides it supports through substantial aid, while also attempting to curb the potential capabilities of adversaries in areas such as finance and weapons. While China adheres to a policy of “non-interference in the internal affairs of other countries” and avoids policies and actions for involving in external military conflicts, the EU emphasizes “human rights above sovereignty” and utilizes the European Peace Facility to back military actions overseas.

## **2) Approaches to Existing Security Issues**

The EU often adopts flexible unilateral, bilateral, or multilateral operations to address external security issues. Though the EU claims its reliance on multilateralism, this is not always the case. In Africa and Asia, for example, the EU has established bilateral defense partnerships with the African Union, Japan, India, and ASEAN. When necessary, the EU is ready to undertake unilateral interventions, even without the support or authorization of international organizations like the United Nations. Even when opting for multilateral action, the EU often seeks coordination among major powers rather than strictly operating within the United Nations framework. China, on the other hand, emphasizes respecting the United Nations’ authority and upholding what it calls “true multilateralism”. It typically refrains from intervening in regional conflicts unless acting under UN authorization. China often views so-called “multilateral military operations” outside the scope of UN mandates as a pretext for flexible political interventions.

Certain cooperation in non-traditional security issues is likely to be disrupted by geopolitical tensions, meaning that crucial security cooperation may easily shift into a form of geopolitical competition. For instance, the EU increasingly sees cooperation in the renewable energy sector as both a field of economic competition and geopolitical rivalry, making green partnerships more complex. Similarly, cooperation in climate and energy security could shift towards trade competition. Increasing imbalances in energy

supply and demand, as well as geopolitical tensions around energy, could lead to increased energy competition between the EU and China or turn them into rivals competing for access to key energy resources worldwide. In other words, the same dependence and urgency that facilitates EU-China cooperation on climate and energy security could affect trade relations between them in the field of energy,<sup>①</sup> turning a joint effort into a platform for geopolitical competition and make cooperation hardly possible.

### **3) Actions Related to Post-Security Issues**

Interestingly, the EU often strictly adheres to ideological principles when dealing with post-security issues, while China tends to operate without such constraints. This means that if post-security issues concern a non-Western democratic regime or a regime that the EU has not previously supported politically, the EU may choose to forgo assistance or cooperation with them. For example, when the United States hastily withdrew from Afghanistan in 2020, the EU was also forced to exit the country. However, the EU did not consider Afghanistan's reconstruction or its ongoing economic and security development in its agenda because it viewed the Taliban regime as illegitimate. This view effectively blocked any official cooperation between the EU and Afghanistan. China does not fixate on the Taliban regime's ideological orientation. As long as the Taliban represents the Afghan people and manages domestic affairs effectively, there is potential for cooperation between China and Afghanistan. China can play a constructive role in addressing Afghanistan's post-security issues, particularly by supporting economic reconstruction and restoring order. In contrast, the EU bases its overseas military operations and collaborations on its values of promoting "freedom, democracy, respect for human rights, fundamental freedoms, and the rule of law". This difference in prioritizing or overlooking ideology significantly limits the scope for deeper cooperation between China and the EU in tackling post-security issues.

### **4) Intergovernmentalism as a Constraint on EU-China Security Cooperation**

Decision-making within the EU on security and defense matters primarily follows intergovernmentalist procedures, leaving little room for supranational actors. EU external security actions must align with the CFSP and the CSDP. The CSDP, which is

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<sup>①</sup> Julia Gurol, *The EU-China Security Paradox: Cooperation Against All Odds*, Bristol, UK: Bristol University Press, 2022, pp. 116-136.



directly related to security operations, was first introduced in the *Treaty on European Union* and first appeared in the 1991 *Maastricht Treaty*. Articles 42-46 of Title V, Chapter 2 of the *Treaty on European Union* outline the CSDP, under which EU member states provide civilian and military resources, carry out missions, and engage in military research and development. Importantly, Article 31 establishes the principle of unanimous decision-making among member states. This highlights the sovereign right of EU member states to pursue their own defense and security policies while requiring them to consult with one another. Despite the unanimous decision-making requirement, the EU still lacks a united military structure that is independent of NATO. Defense spending in Europe had stagnated or declined due to austerity measures linked to the Eurozone crisis. Although the onset of the Ukrainian crisis in 2022 prompted the EU and its member states to boost their defense budgets, this has not led to the creation of a unified and robust EU military system, which could include unified armed forces, command structure, and operational systems.

Therefore, the intergovernmentalist nature of EU military operations and the lack of a strong, unified military framework greatly limit the EU's ability to engage in external security cooperation. This stands in stark contrast to China's capability as a sovereign nation to establish strong and sustainable military cooperation abroad. This difference in capacity significantly hinders China-EU security cooperation.

##### **5) Impact of External Factors**

China-EU security cooperation is heavily affected by the dynamics of transatlantic relations. As competition between China and the US intensifies, closer transatlantic relations reduce the room for China-EU security cooperation. The strengthening of the EU-NATO partnership, along with NATO's increasingly adversarial view of China as a challenge, even a potential threat, poses greater challenges to China-EU security cooperation. Moreover, the EU's evolving security relations with countries neighboring China also pose challenges to China-EU security cooperation. In recent years, driven by geopolitical considerations, the EU has increased its collaboration with China's neighboring countries, such as Japan, South Korea, and India. Joint military equipment development and the level of military cooperation with these countries have increased quickly. The EU has also expressed a desire to strengthen its "military presence" near China, particularly in the South China Sea and Taiwan Strait. Given the ongoing political

and security disputes between China and its neighboring countries, the EU's actions may diminish both sides' willingness and confidence to pursue security cooperation, thereby eroding mutual trust and limiting the scope for such cooperation.

## **4. Conclusion**

Considering the broad alignment in conception and objectives in the security realm (including defense) between China and the EU, the increasing necessity for and initial progress of cooperation in various areas, and the substantial structural constraints that hinder deeper collaboration, both sides should adopt a pragmatic approach to their future security cooperation. Obviously, actively advancing feasible joint programs while effectively managing areas of potential conflict should be key guiding principles for China-EU security cooperation moving forward.

### **1) Prioritizing Positive Cooperation in Non-Traditional Security Domains**

To date, the security cooperation between China and the EU has lagged behind their cooperation in economic and cultural realms, leaving considerable room for growth and a pressing need for closer cooperation within the international community. However, China-EU security cooperation has become increasingly sensitive, given significant changes in their respective foreign strategies in response to a rapidly changing global environment. Therefore, future efforts should focus on areas with the greatest potential for success. Both China and the EU prioritize a comprehensive security approach and emphasize non-traditional security, which tends to be less sensitive. Thus, their cooperation should center on shared challenges in non-traditional areas like climate change, counterterrorism, and transnational crime. Building trust through cooperation in these areas could eventually pave the way for potential military and defense cooperation.

### **2) Exploring “Negative Cooperation” in the Defense Domain**

Appropriate cooperation in the defense domain should be pursued to dispel the perceived security threats stemming from mistrust. This implies that China and the EU have to manage their bilateral increasing defense competition and confrontation driven by the EU's closer defense ties with neighboring countries of China, its enhanced defense partnerships under its “Indo-Pacific Policy”, and strengthening European involvement in defense and security matters in the Asia-Pacific through NATO. Therefore, China and the EU could carry out conflict management to minimize military and geopolitical tensions and potential conflicts in the “hard security” area of defense. This approach can

be seen as “negative cooperation” in defense between China and the EU.

### **3) Pursuing an Organic Cooperation Integrating “Mechanisms, Actions, and Perspectives”**

Currently China-EU security cooperation includes intergovernmental exchange mechanisms and initial efforts in certain non-traditional security areas. To deepen their cooperation, it is crucial to develop further bilateral security dialogs, design and implement joint action plans, and shape shared perspectives. The development of shared perceptions, in particular, remains lacking in China-EU security cooperation, yet it is the fundamental driving force for advancing their cooperation in this field. Therefore, future efforts should focus on strengthening official exchange mechanisms, formulating actionable solutions for urgent security issues, and building a broader consensus on common security perspectives through the aforementioned channels. This could lay a strong foundation for organic security cooperation between China and the EU, integrating mechanisms, actions, and shared perspectives.



# **Energy, Green, and Digital Transformation**





# Potential for China-EU Cooperation in Energy Security and Green Transition

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Both China and the EU, as major global energy consumers, rely heavily on imported fossil fuels. This heavy dependence has significantly increased the importance of energy security in their policymaking, especially in light of rising geopolitical uncertainties worldwide.<sup>①</sup> China and the EU are committed to a green, low-carbon development path, striving for energy sustainability through ambitious climate policies promoting renewable energy. As a result, they share common concerns regarding energy security and the green transition. This alignment in addressing climate challenges and potential transition is further highlighted by the EU’s “European Green Deal” released in 2019 and China’s “1+N” carbon neutrality policy framework introduced in 2021. To effectively tackle climate change and ensure long-term sustainable development, it’s crucial for China and the EU to cooperate in exploring pathways for a green transition and build partnerships for mutual benefit by leveraging their complementary strengths and sharing resources.

## 1. A History and Lessons of China-EU Cooperation in Energy and Green Transition

Energy and green cooperation, which focuses on environmental and climate issues, are central to China-EU cooperation, as shown in Tables 1 and 2 below. As China and the EU interact with each other and their bilateral relationship matures, their cooperation mechanisms have become more formalized and expanded in scope, shifting from

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<sup>①</sup> Peter Børre Eriksen, Lars Møllenbach Bregnbæk, Luis Boscan, Lars Pauli Bornak and Helena Uhde, Zhang Lin, Lei Xiaomeng, and Li Yi and Dong Bo, Energy Security in the Context of Energy Transition – Lessons and Challenges within Europe and within China, EU-China Energy Cooperation Platform (ECECP), October 2023.

unilateral development assistance to a partnership approach centered on joint action.<sup>①</sup>

In 1994, the China-EU Energy Dialogue was established, followed by the Environment Policy Dialogue in 1999, marking the initiation of EU-China cooperation in energy security, clean coal, and environmental protection. The China-EU Environment Dialogue was upgraded to the ministerial level in 2003, broadening discussions to encompass sustainable production and consumption, international environmental governance, pollution control and management, biodiversity conservation, and the management and disposal of hazardous waste. The establishment of the High-Level Energy Working Group in 2005 marked a new phase in cooperation, focusing on dialogs and cooperation in areas like clean coal utilization, energy efficiency, and electricity market. A five-year action plan was formulated to propel further cooperation. In September 2005, the China-EU Summit issued a joint declaration on climate change, announcing the establishment of a China-EU Climate Change Partnership. This partnership prioritized cooperation in six key areas: energy efficiency, energy conservation, new energy and renewable energy, clean coal, methane recovery and utilization, carbon capture and storage, hydrogen energy and fuel cells, and power generation and transmission. Subsequent years witnessed the launch of a series of action plans, including the *China-EU Action Plan on Clean Coal* (2005), the *China-EU Action Plan on Industrial Cooperation on Energy Efficiency and Renewable Energies* (2005), the *Agreement between the Euratom and China for R&D Cooperation in the Peaceful Uses of Nuclear Energy* (2008), the *Memorandum of Understanding on Consultation and Cooperation Mechanism on Industrial Sectors* (2009), the *Memorandum of Understanding on the China-EU Industrial Energy Efficiency & Greenhouse Gas Emission Reduction Working Group* (2010), and the *Dialogue on Building Sector Energy Performance and Quality* (2010). At the project level, the EU launched a three-year (2007-2010) Clean Development Mechanism (CDM) joint project with an investment of EUR 2.8 million. Furthermore, the EU signed a EUR 500 million framework loan agreement on China Climate Change Framework Loan (CCCFL) with China through the European Investment Bank to support ten projects on climate change mitigation, renewable energy, energy efficiency

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<sup>①</sup> Tian Huifang, “Potential and Challenges of China-EU Climate Cooperation in the Context of Carbon Neutrality”, *Russian Central Asian & East European Market*, No. 5, 2022.



improvement, and afforestation. By the end of 2009, China had imported technologies from the EU for approximately 30,000 clean technology projects mainly related to wind, solar, and nuclear energy. China and the EU also launched major cooperative initiatives such as the EU-China Environment Project and the Europe-China Clean Energy Center, fostering exchanges and cooperation in clean coal, renewable energy, and new energy technology.

China-EU cooperation in energy, environment, and climate experienced a significant upgrade after 2010. The EU ceased treating China as a recipient of bilateral development assistance, and the China-EU cooperation in energy and green development shifted towards policy consultation, capacity building, and technical cooperation. In April 2010, the China-EU Ministerial Dialogue Mechanism on Climate Change was established, complemented by high-level consultations and working-level discussions. The first China-EU High Level Meeting on Energy was convened in 2012, resulting in the signing of the EU-China Joint Declaration on Energy Security and the establishment of a China-EU strategic energy consumer partnership. The *EU-China 2020 Strategic Agenda for Cooperation* released in 2013 explicitly outlined key areas of cooperation until 2020, including the *EU-China Roadmap on Energy Cooperation*, low-carbon energy technologies, nuclear energy, carbon emissions trading, low-carbon towns, circular economy, and energy efficiency and emission reduction in the aviation industry. It is evident that this phase witnessed a gradual shift in the focus of China-EU cooperation towards advanced technologies, policies, standards, and regulations related to renewable energy, energy efficiency, and energy infrastructure. This transition marked a more institutionalized phase of cooperation. The dialogs on agriculture, energy, environment, and science and technology form the pillars of the EU-China Partnership on Climate Change.

Following 2015, China-EU relations reached an unprecedented level of maturity. The *EU-China Joint Statement on Climate Change* released in 2015 and the *EU-China Roadmap on Energy Cooperation* released in 2016 demonstrated both sides' commitment to significantly enhance political, technological, economic, and scientific cooperation in the areas of climate change and clean energy. The China-EU Leaders' Statement on Climate Change and Clean Energy in 2018 explicitly emphasized strengthening cooperation in areas such as carbon emissions reduction, carbon markets, low-carbon

cities, carbon capture and storage, greenhouse gas emissions from aviation and maritime transport, and hydrofluorocarbons (HFCs). Specifically, the EU launched 48 concrete projects supporting the design and implementation of China's national carbon market. China's clean energy sector experienced rapid growth during this period, while the EU became increasingly dependent on China's industrial chain. The shifting power dynamics between China and the EU prompted Europe to re-evaluate its positioning towards China. In March 2019, the EU released the document *EU-China – A Strategic Outlook*, assigning China multiple roles as a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance. This marked a trend of simultaneous competition and cooperation in China-EU relations. However, the extreme polarization of political parties in the US on climate issues prompted China and the EU to deepen their cooperation in energy and green transition. In September 2020, the China-EU Green Partnership was forged, and the corresponding dialog mechanism was upgraded from ministerial to vice premier level. The two sides engaged in discussions regarding the EU's economic recovery plans and the *European Green Deal*, China's measures to stimulate clean energy development, and shared responsibilities for promoting green energy investment in third countries. The bilateral environmental cooperation budget between China and the EU reached EUR 32.84 million between 2014 and 2020.<sup>①</sup> However, the EU's policy towards China shifted significantly following the Russo-Ukrainian conflict outbreak in 2022. The EU intensified its competitive stance towards China in various areas, particularly emphasizing the need to enhance its own resilience and avoid excessive reliance on China. Following the European Parliament elections in June 2024, right-wing populist parties gained increased influence. These right-wing groups claim that the costs of clean energy technologies are too high and argue that the green transition could create additional burdens for businesses and consumers in the short term, leading to new social challenges. Meanwhile, the EU has incorporated green technologies into its industrial strategy, increased subsidies for clean technologies, and

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<sup>①</sup> Fu Cong, "China-EU Green Cooperation: Evolution of and Opportunities and Challenges Faced by Partnership", *Pacific Journal*, Volume 11, December 2021.

initiated anti-dumping investigations and tariffs on Chinese electric vehicles. European Commission President Ursula von der Leyen has framed European climate policy as an “economic and security policy aimed at ensuring European competitiveness”, heightening competition with China in sectors like electric vehicles, solar panels, and wind turbines. Despite these challenging factors, China and the EU have kept dialogs going on energy security and green development. In 2022, the EU-China High Level Environment and Climate Dialogue addressed issues like energy security, the green energy transition, and electricity market reform. In July 2023, both sides stressed the importance of strengthening cooperation on emissions trading systems. By April 2024, they had agreed on a roadmap for circular economy cooperation, focusing on enhanced cooperation in battery recycling, plastic pollution, and re-manufacturing.

A historical look shows that China and the EU recognize their common interests in energy resources and the green transition. Their past cooperation, built on their respective strengths, has brought significant benefits to both sides.<sup>①</sup> In the worldwide effort toward a clean energy transition, the EU has consistently taken the lead, whether in setting transition goals, creating institutional and policy frameworks, or developing essential green products. China has benefited by learning proprietary technologies, best practices, and green development standards from the EU. The EU has disseminated its knowledge and standards through project collaborations, experience sharing, and personnel training while gaining unique insights and experience from Chinese projects. China’s rapid progress in the clean energy sector has effectively met the EU’s increasing demand for products like solar panels. For instance, the Senj wind farm in Croatia, built by China and commissioned in December 2021, generates around 530 million kilowatt-hours of green electricity each year, helping to reduce carbon emissions by about 460,000 tons in the country. Therefore, enhancing China-EU cooperation in energy and the green transition not only significantly contributes to global climate change mitigation and green transformation but also sets an example for the diffusion and convergence of advanced policies and technologies, driving green innovation and investment.

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<sup>①</sup> Ilaria Espa, “Climate, energy and trade in EU–China relations: synergy or conflict?”, *China-EU Law Journal* 2018 Volume 6, pages 57-80.

**Table 1 Key Areas and Mechanisms of China-EU Energy Cooperation**

Year	Mechanisms/Official Documents	Description
From 1994	Annual ministerial energy dialogs between China and the EU Energy Working Group meetings established in 1997	Focusing on four key areas: energy efficiency, renewable energy, design and transformation of energy systems and global energy markets, and role of innovative energy actors
2004	Agreement between the European Atomic Energy Community and the Government of the People's Republic of China for R&D Cooperation in the Peaceful Uses of Nuclear Energy EU-China Strategic Agenda for Cooperation for the Period 2013-2020	Since 2011, China and the EU have formulated meeting rules for the Subcommittees on Nuclear Fission, Nuclear Security and Safeguards, Nuclear Fusion, and Nuclear Safety and implemented cooperation projects in specific areas
2005	Memorandum of Understanding on China-EU Dialogue on Energy and Transport Strategies signed during the eighth China-EU Summit	Strengthening cooperation in energy, infrastructure, transportation, and aviation
2009	China-EU Clean Energy Centre Financial Agreement and Joint Statement on China-EU Clean Energy Centre The China-EU Clean Energy Centre was launched in April 2010	Technical cooperation covered the International Thermonuclear Experimental Reactor (ITER), hydrogen energy, fuel cells, biofuels, wind power, clean coal, energy efficiency, renewable energy, etc.
2011	The Fifth China-EU Energy Dialogue	Focused on cooperation in renewable energy (wind and solar), nuclear safety, energy efficiency, power grid standards, clean coal, and technical standards
2012	China-EU High-Level Energy Meeting, marked by the signing of the Joint Declaration on China-EU Urbanization Partnership and the Joint Statement for Enhanced Cooperation on Electricity Markets between the European Commission and the State Electricity Regulatory Commission	Establishment of the China-EU Strategic Energy Consumer Partnership, promoting cooperation on energy security, energy technology, and addressing energy-related challenges in urbanization Electricity market reform cooperation covered technical standards for grid access of electricity from renewable energy, energy efficiency and demand-side management, price regulation, and electricity market entry
2016	EU-China Roadmap on Energy Cooperation (2016-2020)	Driving communication and cooperation in energy security, energy infrastructure development, and market transparency
2017	The Seventh China-EU Energy Dialogue, followed by the signing of <i>Work Plan 2017-2018 of the EU-China Roadmap on Energy Cooperation</i> (2017-2018)	Discussions on key issues, including renewable energy, energy efficiency, nuclear power, electric vehicles, global energy interconnection, and energy innovation and investment

2019	The Eighth China-EU Energy Dialogue, Followed by the signing of the Joint Statement on the Implementation of the EU-China Cooperation on Energy	Key topics including energy development policies and market reforms, clean energy transition, energy cooperation within multilateral frameworks, and the development of China-EU energy cooperation platforms
2019	Launch of the EU-China Energy Cooperation Platform (ECECP), a three-year program	Focusing on energy systems, energy efficiency, renewable energy, and innovative entities, with EUR 3.5 million funded by the EU
2020	The Ninth China-EU Energy Dialogue	Focusing on clean energy policy, discussions centred on <i>the European Green Deal</i> , China's measures to stimulate clean energy development, and shared responsibility for promoting green energy investment in third countries
2022	The Tenth China-EU Energy Dialogue	Key topics including energy security, green energy transition, and electricity market reform
2023	The Eleventh China-EU Energy Dialogue	In-depth discussions on energy security and transition, renewable energy, electricity market reform, green electricity certification, and green hydrogen; presentations on the China-EU Energy Technology Innovation Cooperation Platform and the China-EU Energy Cooperation Platform

Sources: Official websites of the EU and the Chinese Ministry of Ecology and Environment

**Table 2 Key Areas and Mechanisms of China-EU Environmental and Climate Cooperation**

Year	Mechanisms/Official Documents	Description
2003	EU-China Ministerial Environmental Policy Dialogue	Issues such as sustainable production and consumption, international environmental governance, pollution control and management, and biodiversity protection were discussed.
2005	EU-China Joint Statement on Climate Change China-EU Action Plan on Clean Coal China-EU Action Plan on Energy Efficiency and Renewable Energies	The China-EU Climate Partnership was established to strengthen cooperation on clean coal, energy efficiency, and renewable energy
2006	The EU-China Clean Development Mechanism (CDM) Promotion Project commenced as a key project under the rolling work plan for the China-EU Partnership relationship on response to climate change	The largest EU-funded CDM capacity-building project in China with EUR 2.3 million funded by the EU. The project lasted for three years (2007-2010)

2007	<p>Joint Statement of the 10th China-EU Summit</p> <p>European Investment Bank provided EUR 500 million framework loan to China for climate change projects</p>	<p>Further bilateral cooperation in technological development and transfer, etc.</p> <p>Active implementation of the Rolling Work Plan for the China-EU Climate Change Partnership (2008-2009)</p> <p>Support for the establishment of the China-EU Clean Energy Centre</p>
2007	<p>Signing of the Financial Agreement for China-EU Environment Program</p>	<p>The EU was to fund ERU 15 million to support China's environmental and pollution control efforts in five years</p>
2010	<p>Joint Statement on Dialogue and Cooperation on Climate Change</p> <p>Establishment of a regular ministerial climate change dialog and a ministerial climate change hotline</p>	<p>Exchange of views and discussions focusing on key issues in international climate change negotiations, internal policies and measures of both sides, and the development and implementation of specific climate change cooperation projects</p>
2011	<p>China-EU Environment Program 2011-2015, alongside the establishment of the China-EU Environment Sustainability Project</p>	<p>Support for the objectives of China's Twelfth Five-Year Plan (2010-2015)</p>
2015	<p>EU-China Joint Statement on Climate Change</p> <p>Paris Agreement</p>	<p>Preparations for the Paris Climate Conference (December 2015)</p>
2017	<p>Ministerial Meeting on Climate Action initiated by Canada, China, and the EU</p>	<p>Five editions to date, focusing on the implementation of the <i>Paris Agreement</i> and the subsequent detailed rules for its implementation</p>
2017	<p>The 19th EU-China Summit</p>	<p>Aligning the Belt and Road Initiative with European investment plans</p> <p>Enhancing cooperation in low-carbon and smart transportation</p>
2018	<p>EU-China Memorandum of Understanding on the Circular Economy</p>	<p>Establishment of a high-level policy dialog on the circular economy and cooperation in policy coordination, institutional innovation, best practices, and financing and investment in the circular economy</p>
2018	<p>EU-China Leaders' Statement on Climate Change and Clean Energy and signing of the Memorandum of Understanding to Enhance Cooperation on Emissions Trading</p>	<p>Driving the <i>Paris Agreement Implementation</i> and strengthening cooperation in political, technical, economic, and scientific aspects of climate change and clean energy</p> <p>Providing technical support for the testing phase of China's ETS</p>
2019	<p>Joint Statement on the Implementation of</p>	<p>Facilitating the implementation of the EU-China</p>

	the EU-China Cooperation on Energy	Roadmap on Energy Cooperation
2020	China-Germany-EU Leaders' Meeting via video	Elevation of China-EU Climate Cooperation from ministerial to vice-premier level
2021	The First China-EU High-Level Environment and Climate Dialogue (Vice-Premier Level)	Discussions on China's 14th Five-Year Plan for Ecological and Environmental Protection, the European Green Deal, and China-EU climate and biodiversity cooperation
2021	The Second EU-China High-Level Environment and Climate Dialogue	Discussions on China-EU climate policies, achieving higher levels of cooperation, and key issues for the UN Climate Change Conference (COP26)
2022	The Third EU-China High-Level Environment and Climate Dialogue	In-depth discussions on green and low-carbon development policies, current state and future prospects of China-EU environmental and climate cooperation, and joint efforts to advance multilateral progress
2023	The Forth EU-China High-Level Environment and Climate Dialogue	Identified key areas for future cooperation, including circular economy, biodiversity, chemicals management, plastic pollution, national carbon markets, climate adaptation, methane emissions control, and clean energy transition (renewable energy, grid stability, energy storage, and hydrogen energy)
2024	The Fifth EU-China High-Level Environment and Climate Dialogue	Discussions on addressing climate change, protecting the ecological environment, and reviewing the results of pragmatic cooperation since the fourth dialogue

Sources: Official websites of the EU and the Chinese Ministry of Ecology and Environment

## 2. Policy Progress and Green Transition and Potential Cooperation on Energy Security in China and EU

### 2.1 The EU

In recent years, the EU has primarily focused its green and low-carbon actions around its “Fit for 55” package<sup>①</sup> and the RePowerEU Plan<sup>②</sup>. As its green development goals, by

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<sup>①</sup> “Fit for 55” is a package of proposals for revising existing laws and introducing new legislation to provide a coherent and balanced framework for reducing greenhouse gas emissions by 55% by 2030 and achieving climate neutral by 2050. This package is designed to ensure a just and socially equitable transition, to maintain and strengthen the EU's industrial innovation and competitiveness, and solidify the EU's leadership role in the global response to climate change.

<sup>②</sup> The REPowerEU plan, put forward by the European Commission in May 2022, builds on the full implementation of the "Fit for 55". It aims to reduce dependence on Russian fossil fuels and accelerating

2030, the EU aims to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels and ensure renewable energy contributes at least 42.5% of the EU's overall energy consumption. The EU has released sectoral policies to achieve its green development goals (Table 3).

**Table 3 Targets and Policies in EU Key Sectors for Energy and Green Development**

Energy and electricity	<ul style="list-style-type: none"> <li>• Most EU members remain committed to phasing out coal-fired power by 2030, with Germany aiming for 2038, Bulgaria for 2038-2040, and Poland for 2049.</li> <li>• In March 2023, the EU increased its renewable energy target from 32% to 42.5% of total energy consumption by 2030, and added a 2.5% “indicative” target.</li> <li>• In August 2022, the NB8 undertook to increase offshore wind capacity from 3 gigawatts to 20 gigawatts by 2030.</li> <li>• In April 2023, an agreement was reached to increase North Sea wind capacity from 30 gigawatts in 2022 to 120 gigawatts in 2030 and 300 gigawatts in 2050.</li> </ul>
Secondary sector	<ul style="list-style-type: none"> <li>• The <i>Net-Zero Industry Act</i> adopted in March 2023 requires at least 40% of low-carbon technologies to be produced internally by 2030.</li> <li>• According to its green hydrogen strategy, the EU aims to produce up to 10 million tons of green hydrogen by 2030.</li> <li>• European Hydrogen Bank was established in March 2023.</li> <li>• CBAM entered a transition phase in May 2023, with full implementation scheduled for 2027.</li> <li>• The EU ETS reform will gradually phase out free allocation of emissions allowances for certain sectors.</li> </ul>
Transportation	<ul style="list-style-type: none"> <li>• Adoption of sectoral renewable energy targets and new vehicle emission standards to reduce CO2 emissions in the transportation sector.</li> <li>• The EU Emissions Trading System (EU ETS) will include road transportation emissions from 2027 onwards.</li> <li>• In March 2023, the European Parliament adopted a directive mandating the expansion of charging infrastructure in place of fuels.</li> <li>• Enhanced emission standards are proposed in February 2023 to increase the emissions reduction target for new trucks, buses, and trailers from 30% to 45% by 2030. The transportation sector’s renewable energy share in final energy consumption is targeted to reach 29% by 2030.</li> <li>• For aviation and shipping, the EU mandates a gradual increase in the share of sustainable aviation fuels, from 2% in 2025 to 70% in 2050.</li> </ul>
Buildings	<ul style="list-style-type: none"> <li>• The RePowerEU plan, adopted in May 2022, mandates solar panel installation on all newly constructed public and commercial buildings starting from 2027. The mandate extends to existing public and commercial buildings starting from 2028. All new residential buildings must be equipped with solar panels from 2030 onwards.</li> <li>• The building sector will be included in the EU ETS II starting from 2027.</li> </ul>

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the green transition through energy savings, investments in renewable energy, and diversifying energy supply.



Agriculture	<ul style="list-style-type: none"> <li>• The Common Agricultural Policy (CAP) is a key mechanism of the EU that supports emission reduction.</li> <li>• The new CAP, effective from January 2023 to 2027, allocates 40% of its funding to climate action.</li> </ul>
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Source: Compiled based on data from official websites of the EU

The EU is likely to experience a relatively favorable period for traditional energy sources, at least in the short term. Nuclear and natural gas are likely to be accepted as transitional solutions during the energy transition process, while the phasing out of coal will be managed at a reasonable pace. The *EU Sustainable Finance Taxonomy* has included some natural gas and nuclear energy projects in its list of supported activities. The EU is deepening its cooperation with Middle Eastern nations on clean energy projects to address the current energy crisis and challenges posed by power competition.

Energy efficiency will be a central pillar of the EU’s carbon neutrality strategy. The EU is prioritizing efforts to address energy infrastructure constraints, accelerate electrification, and reduce the use of fossil fuels in buildings, industry, and the power system. New energy related products (ERP) and energy labeling regulations have been introduced to support energy efficiency in buildings, digital devices, and transportation, as well as energy investments.

Accelerating the production and deployment of renewable energy remains a core policy for the EU’s energy transition. Besides solar and wind energy, the EU is exploring bio-methane and hydrogen as alternative renewable energy sources to replace fossil fuels. The EU is committed to enhancing its internal clean energy production and competitiveness. The European Commission announced the *EU Net-Zero Industry Act* and the *Critical Raw Materials Act* in March 2023. The *Net-Zero Industry Act* aims to improve the investment environment for European green technology production, meeting at least 40% of the EU’s annual demand for “strategic net-zero technologies” to be produced internally by 2030. These technologies include solar photovoltaics, wind energy, batteries, heat pumps and geothermal energy, and carbon capture and storage. The *Critical Raw Materials Act* aims to ensure at least 10% of strategic raw materials are mined and 40% are processed internally by 2030.

Europe’s journey toward a green energy future is complex and faces various challenges. Firstly, the EU has to cover the significant cost and financing gap. The shift to green

energy requires massive investments, including building renewable energy infrastructure, upgrading power grids, and developing energy storage systems. This represents the biggest challenge to the European Union’s green transition. According to the European Commission, at least EUR 1 trillion in investment is needed over the next decade, with around 80% expected to come from private capital. Solar energy alone will require an additional EUR 26 billion in funding over the next five years. Secondly, the intermittent nature of renewable energy poses a significant challenge. Renewable sources are highly dependent on weather conditions, leading to fluctuations in energy supply that can threaten the stability and reliability of the energy system. Addressing this deficiency requires advancements in sustainable energy storage technologies and flexible energy management systems, but related developments are unlikely to happen in the near term. This has led to the temporarily suspension of some European countries of their 2035 target for 100% green electricity, instead these countries restarted decommissioned coal-fired power plants due to concerns about energy security. Thirdly, the varying interests of EU member states make it difficult to reach a consensus on climate governance and energy transition policies. In particular, some CEE countries often have different perspectives and stances on energy and green development issues due to their unique economic, political, and natural resource conditions.

## **2.2 China**

In recent years, China has launched numerous policy initiatives to support its “carbon peaking and neutrality” goals, focusing on energy and green transitions. These include the *14th Five-Year Plan for Energy and Renewable Energy*, the *New Industrial Peak Shaving Implementation Plan*, the *14th Five-Year Plan for Green Industrial Development*, the *National Hydrogen Strategy*, the *14th Five-Year Plan for Green Transportation Development*, and the *14th Five-Year Plan for Building Energy Efficiency and Green Building* (Table 4). Together, these plans lay the foundation for China’s transition into a post-coal era. On August 29, 2024, the Chinese government released a white paper titled *China’s Energy Transition*, highlighting five guiding principles for the transition: putting the people first; pursuing green and low-carbon development; serving national development; boosting innovation as an impetus for growth; expanding opening up and cooperation.

According to current plans, by 2030, non-fossil fuels are expected to make up about 25%

of China's primary energy consumption, with wind and solar power installations reaching a total capacity of 1,200 gigawatts. The rapid expansion of clean energy will drive substantial growth in China's renewable energy capacity. The industrial sector aims to increase electrification and improve energy efficiency, with a focus on carbon capture, utilization, and storage (CCUS) and hydrogen solutions as key areas for industrial decarbonization. In 2022, China launched its *National Hydrogen Energy Development Plan*, targeting an annual renewable hydrogen production capacity of 100,000-200,000 tons by 2025. By 2030, the plan envisions a robust hydrogen energy industry innovation system and a clean hydrogen production and supply system. By 2035, the goal is to enable diversified uses of hydrogen in transportation, energy storage, and industrial applications.<sup>①</sup> Now, China has become the world's largest hydrogen producer. China has made it a priority to improve the accessibility and electrification of its public transportation systems, focusing on expanding both the national high-speed rail network and local electric public transit options. By 2035, the plan is to develop a national railway network of around 200,000 kilometers, with about 70,000 kilometers of high-speed rail. The railway network will cover all cities with populations over 200,000, while cities with over 500,000 residents will have access to high-speed rail. Additionally, a pilot program aims for cities to procure about 2 million electric buses by 2035.<sup>②</sup> The goals for new energy vehicles include making all-electric vehicles the predominant mode of transport by 2025, with fuel cell vehicles beginning commercial operations. New energy vehicle sales are targeted to reach around 25% of total new vehicle sales by 2025, and new energy vehicles will take up the majority of new vehicle sales by 2035.<sup>③</sup> In terms of international cooperation, aligned with its *Action Plan for Carbon Dioxide Peaking Before 2030*, China has set the following goals: 1) actively participating in global climate governance, fully meeting its commitments under the *Paris Agreement*, and engaging actively in international negotiations on reducing aviation and maritime

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<sup>①</sup> Medium and Long-Term Strategy for the Development of the Hydrogen Energy Industry (2021-2035) released by the National Development and Reform Commission of China in March 2022.

<sup>②</sup> National Railway Planning Outline for Transportation Powerhouse in New Era released by China State Railway Group in 2020.

<sup>③</sup> New Energy Vehicle Industrial Development Plan (2021-2035) released by the State Council's General Office in October 2020, and the Opinions on Accelerating the Comprehensive Green Transition of Economic and Social Development released by the State Council in August 2024.

emissions; 2) carrying out cooperation in green trade, technology, and finance, boosting the import and export of energy-efficient and eco-friendly products and services, strengthening partnerships in green technology and finance, and playing an active role in global coordination on carbon pricing mechanisms and green financial standards; 3) advancing the green Belt and Road Initiative and supporting South-South cooperation efforts in addressing climate change.

**Table 4 China’s Energy and Green Development Goals and Policies in Key Sectors**

Energy and electricity	<ul style="list-style-type: none"> <li>• China aims to “strictly control coal consumption” before 2025, with a plan to “gradually reduce coal consumption” during the 15th Five-Year Plan period (2026-2030)</li> <li>• By 2025, renewable energy is expected to constitute half of the total installed capacity and account for half of the increase in electricity demand in China.</li> <li>• Electrification of end-use industries is also a strategic priority, with electricity contributing 30% of final energy consumption by end-use industries by 2025</li> </ul>
Secondary sector	<ul style="list-style-type: none"> <li>• The secondary sector aims to achieve greater electrification and improve efficiency to meet demand and reduce reliance on fossil fuels</li> <li>• Key emissions-intensive industries, such as cement, steel, and aluminum, are likely to be included in the initial expansion of the national carbon emissions trading system</li> <li>• CCS/CCUS and hydrogen solutions are prioritized strategic areas for the secondary sector. The National Hydrogen Strategy (2021-2035) released in 2022 confirms the critical role of hydrogen in China’s future energy system and emissions reduction efforts. It sets ambitious targets for renewable hydrogen production to reach 100,000-200,000 tons by 2025 and 100 million tons by 2060</li> </ul>
Transportation	<ul style="list-style-type: none"> <li>• China has made it a priority to improve the accessibility and electrification of its public transportation systems, focusing on expanding both the national high-speed rail network and local electric public transit options</li> <li>• A focus is the development of new energy vehicles, including all-electric vehicles, plug-in hybrid vehicles, and fuel-cell electric vehicles</li> <li>• The national high-speed rail network will be extended by 120,000 kilometers by 2035 and cover 95% of cities with over 500,000 residents</li> <li>• A pilot program is underway for cities to procure about 2 million electric buses by 2035</li> </ul>
Buildings	<ul style="list-style-type: none"> <li>• The targets for 2025 include upper limits on operational energy consumption for buildings. The energy efficiency of newly constructed public and residential buildings should increase by 20% and 30% respectively</li> <li>• 350 million square meters of existing buildings will be renovated for energy efficiency, and 50 million square meters of ultra-low or zero-energy consumption buildings will be built</li> <li>• China has set targets for increasing the use of solar and geothermal energy in new buildings in 2025. More than half of energy consumed by urban buildings will come from electricity</li> </ul>

Forestry	<ul style="list-style-type: none"> <li>• China will plant 36,000 square kilometers of new forests annually by 2025 to increase national forest coverage</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• A priority is given to expanding the scope of the carbon market</li> <li>• China will accelerate the development of green finance and expand the Green Industry Catalogue</li> </ul>

Source: Compiled based on documents available on the official website of Ministry of Ecology and Environment of the People’s Republic of China

### **3. Unlocking Potential for China-EU Cooperation in Energy and Green Transition**

China and the EU have similar long-term goals and approaches to achieving them. Both focus on decarbonization, increasing carbon sinks, driving technological innovation, and investing in key sectors like energy, industry, transportation, and buildings. Their shared priorities also include accelerating the shift to alternative and cleaner energy sources, promoting the use of clean energy and emission reduction in end-use sectors, reducing support for carbon-intensive energy production, improving energy efficiency, and advancing low-carbon technologies (Tian Huifang, 2022). Over the past two decades, China and the EU have made significant progress in their cooperation in energy and green transition, covering areas such as renewable energy, energy efficiency, the power sector, high-efficiency technologies for clean coal and natural gas power generation, and energy regulation. These achievements provide a strong foundation for further cooperation. The substantial commercial opportunities arising from the drive toward carbon neutrality create ample potential for deeper cooperation between China and the EU.

#### **3.1 Potential for Cooperation in Energy Security**

##### **3.1.1 Energy Security and Global Energy Governance**

Both China and the EU face similar challenges in their energy transitions, including a high dependence on energy imports, a shared goal of improving energy security and efficiency, common energy suppliers in the Middle East, and a significant portion of resources from Central Asia and Africa. To address these challenges, China and the EU can strengthen their dialogues on energy security and global energy governance. By

focusing on their shared concerns as major energy consumers, they can improve policy coordination with energy-producing countries and explore mutually beneficial solutions to enhance energy security. Additionally, the global energy transition requires substantial financing. The EU needs significant investment to support this transition. Unlike China and other developing countries, which are still engaged in large-scale urban development where new buildings can easily integrate the latest technologies, many EU member states have aging buildings and traditional infrastructure. Renovating and updating these structures for more efficient energy use may require even greater investments. This highlights the importance of promoting investments in energy transition on a global scale.

### **3.1.2 Energy Transition and Energy Efficiency**

The EU's energy efficiency standards are regarded as being more advanced than those in China. The EU's international cooperation programs on energy efficiency place a strong emphasis on partnering with developing regions, such as Africa, to promote energy-saving initiatives like clean cooking stoves. Given the strong trade ties between China and the EU, the two sides need to deepen their cooperation further, particularly in areas like energy efficiency standards, labeling systems, and eco-design of products. Key areas for cooperation include industry, transportation, energy, energy-efficient buildings, consumer goods, and heating and cooling solutions, including combined heat and power systems.

### **3.1.3 Power System Renovation and Smart Grids**

Capacity building has been a consistent focus in China-EU cooperation projects, covering a wide range of areas from grid integration to energy efficiency standards. Such tasks have enabled China to stay up-to-date with the latest developments in energy-related technologies. Meanwhile, the EU is reforming its electricity market to reduce investment uncertainties and accelerate the growth of its internal renewable energy sector with competitiveness. Similarly, China is developing a new power system to increase flexibility and security while encouraging investments in renewable energy through pricing signals. Building on their existing partnership, China and the EU can deepen their cooperation in areas like smart grids, grid access for electricity from renewable energy, and large-scale grid safety management. By sharing expertise in resource sufficiency and power system planning, they can help align Europe's electricity and hydrogen-based terminal energy systems with China's green and low-carbon transition pathways. Such

cooperation promotes technical complementarity and interoperability, creating win-win solutions for both sides. However, several challenges remain: 1) investment in the energy sector is limited in the current market conditions; 2) insufficient grid connection capacity and immature energy storage technologies hinder the potential deployment of renewable energy; 3) market entry barriers discourage cross-border investments by businesses.

### 3.1.4 Clean Energy and Technology

Renewable energy has become a key focus of cooperation between China and the EU in joint research and capacity-building projects within their energy cooperation framework. The rapidly growing renewable energy sector has created substantial investment opportunities for businesses on both sides. However, their commercial cooperation efforts also face significant challenges. Europeans are concerned that the market entry of cost-competitive Chinese manufacturers, bolstered by government subsidies, has led to an upward shift in the value chain, displacing European companies and jobs, and sparking major trade disputes. The most prominent of these disputes has involved solar panels. Despite disputes, China’s solar products and wind turbines are crucial for the EU to meet its 2030 emissions reduction targets. Figure 1 shows the explosive growth in imports of solar cells from China since the Russo-Ukrainian Conflict began.



Figure 1 EU Imports of Solar Cells from China

Source: Eurostat (2022)

To achieve carbon neutrality, the EU plans to deploy at least 660 gigawatts of wind power and 500 gigawatts of solar photovoltaic capacity by 2030. This will necessitate annual installations of around 55 gigawatts of wind power and 40 gigawatts of solar photovoltaic over the next decade. The EU needs to carefully consider the potential negative effects of these tensions, as decoupling from China would significantly slow down its green transition. China has built a globally leading manufacturing capacity in areas like solar photovoltaics, while the EU excels in new technologies, innovative concepts, and policy

frameworks. Establishing a strategic partnership in this field offers the best path toward a win-win outcome for both sides.

### **3.2 Potential Cooperation in Green Transition**

#### **1) Electric Vehicles**

The market for new energy vehicles is expanding rapidly, creating substantial opportunities for value creation throughout the entire supply chain. Electric vehicles have tremendous potential in both the Chinese and European markets. However, the new energy vehicle sector in Europe encounters three notable obstacles. Firstly, insufficient infrastructure hampers the wide adoption of electric vehicles, the high costs in infrastructure development pose a challenge to investors. Secondly, European business are subject to rigid constraints in availability of critical materials. According to a study by the University of Leuven, the EU requires a 35-fold increase in lithium and a 7–26-fold increase in rare earth metals, and increases of 15%, 30%, 35%, 45%, 100%, and 330%, respectively, in zinc, aluminum, copper, silicon, nickel, and cobalt, considering the current annual usage levels. Recycling and increased domestic production can only satisfy 70% of the EU's needs for energy transition. China holds a significant advantage in the mining and production of key minerals, such as rare earths and lithium, critical for the European market. Strengthening cooperation in trade and investment between China and the EU in the low-carbon transportation sector represents a mutually beneficial policy choice.

#### **2) Carbon Markets and Carbon Pricing**

The EU has been an active supporter of China's carbon market development by offering extensive assistance in capacity building. The development of carbon markets is a continuous process of exploration and improvement. As a global leader in emissions trading systems (ETS), the EU desires to create synergies by connecting with other markets. This includes helping countries establish their own carbon markets, developing infrastructure for regional carbon markets, setting up robust MRV (measurement, reporting, and verification) frameworks, and encouraging other markets to improve their carbon pricing mechanisms continually. Despite significant progress, the Chinese market still falls behind the European market considerably in terms of coverage and maturity. In future cooperation, the two sides could focus on the following areas: 1) mutual recognition of carbon emission accounting standards and methods; 2) mutual recognition



of carbon pricing methods, particularly suitable methods for calculating the actual carbon price paid by Chinese companies in connection with the requirements of the Carbon Border Adjustment Mechanism (CBAM), 3) sharing of experience in carbon credit markets, and 4) exploration of pathways for wider carbon market linkage, such as possible methods to cover a broader range of emission control industries and companies in Chinese and EU carbon markets.

### **3) ESG Investment and Green Finance**

In October 2019, China and the EU jointly launched the International Platform on Sustainable Finance (IPSF) to share best practices of sustainable finance, improve coordination of sustainable finance approaches and instruments, and attract private capital for environmentally sustainable investments. In March 2021, the People's Bank of China announced a partnership with the EU to work towards adopting common green taxonomy standards across both markets. Future cooperation should consider the following two tasks. The first is to deepen financial cooperation with G20 members to facilitate the harmonization of global green finance standards and foster trust in green bonds within the global market. The second is to allow easier access to green bond financing for businesses and government institutions in China and the EU and drive the implementation and development of global green projects.

### **4) Green Cooperation in Third-Party Markets**

Cooperation in third-party markets is a relatively new model of international cooperation based on economic viability and social and environmental sustainability and is guided by principles of mutual benefit, joint consultation, adherence to market rules, and fair competition. China and the EU have already gained significant experience in this area. Chinese and French companies have worked together in various sectors, including oil and gas, nuclear power, airports, and environmental protection, for successful implementation of major projects in Africa and Southeast Asia, and have set examples of partnerships in Central and Eastern Europe. As the global shift toward green, low-carbon development gains momentum, developing countries especially need support in building their capacities. Looking ahead, there are strong opportunities for Chinese and European businesses to combine their strengths and drive green development together in third-party markets.

### **5) Circular Economy**

China and the EU are both strong advocates of business models of circular economy. In April 2024, they agreed on a roadmap for cooperation in this area, focusing on key actions to address plastic pollution, battery recycling, and textile waste, which are critical issues in global environmental governance. Under the framework of the *EU-China Memorandum of Understanding on the Circular Economy*, practical projects and technological partnerships are expected to thrive within the circular economy sector between both sides.

## **6) Low-Carbon Cities**

The development of intelligent, green, and low-carbon cities is a global urbanization trend, representing a key strength for the EU and a major goal for China. Cooperation in this area will not only advance joint efforts in energy-saving technologies but also strengthen political trust and deepen cultural and tourism exchanges between China and the EU. Going forward, both sides can focus on cities as a key topic for knowledge sharing and project cooperation in areas like smart city development, low-carbon energy supply, sustainable urban transportation, green building design, and low-carbon urban governance.

A comparison of China's and the EU's policies and priorities on energy security and green transition shows that both view energy security, climate change, and environmental protection as key elements for sustainable development, as well as forming a vital part of their bilateral relationship. In terms of energy security and green transition, China has market and cost advantages, allowing for rapid large-scale production with clean technologies and reducing green premiums. Meanwhile, the EU benefits from being an early adopter, with a more established green economy and a mature carbon emissions trading system. The potential for cooperation between China and the EU significantly outweighs any competitive tensions. Looking ahead, both sides need to move beyond zero-sum thinking and strengthen their cooperation to grow green markets and industries, foster new areas of growth in green, low-carbon sectors, and play a key role in advancing effective global climate governance and shaping the future of global climate politics.

However, the EU currently views China as both an economic competitor and a systemic rival. Among European political leaders, there is a growing sense of anxiety and insecurity regarding China's influence, with some even considering aligning more closely with the US to counterbalance China's impact. Additionally, the EU has

reinforced its cooperation with the US on climate issues through platforms such as the Transatlantic Partnership, the G7, and the United Nations Climate Change Conference. The EU has also introduced the Carbon Border Adjustment Mechanism to motivate other countries to raise their climate ambitions. Consequently, when evaluating the potential for cooperation between China and the EU, it is essential to take into account the dynamics of bilateral trade, economic, and technological competition, as well as the effects of external factors such as US influence, geopolitical tensions, and unexpected events.

### **3.4 Potential Pathways to Vitalize China-EU Cooperation**

In their pursuit of ambitious climate goals, both the EU and China are ramping up their green transitions. As expected, the two are likely to intensify competition over green technologies, market share, and standards.<sup>①</sup> The European Council on Foreign Relations admits that if managed properly, this competition can drive innovation in green technologies. However, if not handled carefully, it could lead to trade disputes over low-carbon products and standards. The shift toward carbon neutrality involves a comprehensive and significant socioeconomic transformation. The international community must prioritize cooperation over conflict to meet the global net-zero emissions target set by the *Paris Agreement*. As the world's two largest greenhouse gas emitters, China and the EU should not only strengthen their domestic climate actions but also actively participate in bilateral and multilateral dialogues and cooperation focused on energy and green transition. They need to manage competition, enhance coordination of climate policies, boost cooperation on green technologies, and set a strong example for limiting the global average temperature rise to well below 2 degrees Celsius above pre-industrial levels. Such actions will encourage other nations to follow their lead.

Firstly, leveraging intergovernmental cooperation mechanisms to build consensus, enhance mutual trust, and prevent differences from hindering long-term green collaboration. China and the EU have established a range of multi-level dialogues and cooperation mechanisms, including the EU-China Summit, vice premier-level dialogs, ministerial and deputy ministerial meetings, and working group technical consultations,

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<sup>①</sup> Sima Altunl and Ceren Ergenc, “The EU and China in the Global Climate Regime: A Dialectical Collaboration-competition Relationship”, *Asia Europe Journal*, Vol. 21, 2023, pp. 437-457.

as well as bilateral environmental cooperation initiatives with countries like Germany, France, Italy, and Norway. There has also been a significant growth in direct cooperation among cities, businesses, think tanks, and civil society. These efforts have fostered multi-level policy dialogs and practical cooperation between China and the EU in areas such as resource efficiency, green and low-carbon development, and climate-resilient economic and social transformation. Established mechanisms of cooperation help stabilize EU-China relations and protect climate cooperation from potential political interference. In the future, it is essential to make full use of high-level dialog and working group mechanisms to strengthen communication, enhance bilateral exchanges, and prioritize energy and green transition cooperation in EU-China relations over the next decade. Additionally, the China-EU energy and climate working groups should focus on achieving cooperative consensus on less sensitive issues while also fostering open discussions on more contentious topics, such as electric vehicles, green technologies, and the Carbon Border Adjustment Mechanism. This approach aims to find compromise solutions to ease trade tensions.

**Secondly, striving to decouple green development issues from political security concerns.** While policy drivers, synergies, and gaps shape the future of EU-China relations,<sup>①</sup> geopolitical confrontation, economic competition, market access, discrepancies in environmental and labor standards, and differences in human rights issues pose potential threats to derailing cooperation between China and the EU. Both sides must maintain a positive momentum in environmental and climate cooperation, continuously deepening the China-EU Green Partnership. The EU's Green Deal is thought to be more than just a green, low-carbon initiative. Its links to European political and economic security are becoming increasingly clear, indicating a trend toward the politicization of environmental issues and the greening of trade policies. For example, *the EU's Carbon Border Adjustment Mechanism (CBAM)* aims to encourage climate action among its trading partners by preventing European companies from facing unfair competition from countries with lower environmental standards and no carbon pricing. Although China has established a carbon market, the CBAM will likely have significant

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<sup>①</sup> Marc Craw, "EU-China Climate Engagement: Policy Drivers, Synergies and Gaps for Accelerating the Transition Towards Carbon Neutrality", China Dialogue, 2020, <https://chinadialogue.net/content/uploads/2020/10/EU-China-climate-engagement.pdf>.

implications for China-EU trade. The CBAM could push wider climate action beyond the EU's borders, increasing the risk of short-term confrontations between the EU and its trading partners and threatening global efforts to combat climate change. Therefore, China and the EU need to build cooperative consensus within multilateral processes to ensure stability and predictability for global energy and green transitions.

**Thirdly, pursuing mutual benefit, a key to enhancing willingness for cooperation.**

China and the EU have shared interests and goals in energy transition and green development, making a strategic partnership more important than a competitive one. China and the EU serve as strategic markets for each other. China's large and rapidly expanding domestic market offers significant commercial opportunities for European businesses. Meanwhile, the EU faces the long-term risk of losing crucial industrial production capacity. Rising domestic costs and US protectionist policies have prompted many European companies to move some of their production outside Europe. European governments need to recognize the importance of engaging in constructive dialogs and fostering economic and trade cooperation with China. China and the EU could cultivate a robust green partnership by fostering a willingness for cooperation in the following areas:

**1) Strengthening communication on industrial and climate policies is crucial to dispel misunderstandings.** In industrial cooperation, both sides should consider each other's reasonable concerns, identify new frontiers for cooperation, and alleviate existing tensions. It is possible to facilitate the establishment of expert and business exchange mechanisms and hold regular and ad hoc international workshops and research endeavors to foster bilateral and multilateral policy communications and experience sharing.

**2) Promoting the free trade of green products is paramount.** Facilitating the entry of green products into each other's markets can not only cultivate consumer preferences for green products but also diminish production costs, providing both China and the EU with a wider array of choices for green market expansion. Green product trade also promotes the dissemination of cutting-edge technologies and product innovation experience between regions, thereby bolstering industry competitiveness and accelerating the energy transition. Consequently, green product trade serves as a crucial link, enabling both China and the EU to achieve a win-win scenario in the realms of climate governance and green transformation.

**3) Forging a green financial partnership to strengthen cooperation in areas such as circular economy, green finance, and bidirectional financial openness.** Built upon the existing China-EU Circular Economy Partnership, pragmatic cooperation should be pursued in areas of mutual concern, including circular economy, biodiversity, chemical management, plastic pollution, and national carbon markets. Green finance is another area where China and the EU can effectively cooperate and make a significant impact. Both sides have suggested creating a deputy-ministerial financial working group as part of the EU-China High-Level Economic and Trade Dialogue. Looking ahead, they can implement pilot initiatives in free trade zones and ports to facilitate investment for European financial institutions and broaden the range of carbon emission reduction support instruments available to them. Moreover, they could work together to enhance mutual recognition of green finance instruments, products, and projects, including promoting the global adoption of the *Common Ground Taxonomy – Climate Change Mitigation* jointly formulated by China and the EU. They should keep encouraging Chinese and European financial institutions to utilize the green finance platform under the Belt and Road Initiative for cooperation in third-party markets.

**Fourthly, driving green cooperation between Chinese and European cities by harnessing sub-national actor engagement, particularly through the China-EU Urbanization Partnership.** Non-state actors, including cities, industries, businesses, NGOs, and civil society organizations, are also essential players in global climate governance. When communication at the government level breaks down, engagement with these groups can help facilitate informal climate cooperation between China and the EU. For example, the China-EU Urbanization Partnership has already promoted cooperation on low-carbon eco-cities through forums, study tours, and training programs. Built on this platform, future initiatives can focus on areas like energy efficiency, renewable energy, sustainable transportation, climate change adaptation, sustainable land use, nature-based solutions, urban innovation, circular economy, affordable housing, and community engagement. This approach will enhance understanding of each other's needs and strengths, foster practical cooperation, and set an example for other city-to-city partnerships. Cooperation between cities is more likely to reach a consensus by concentrating on specific urban development issues.

**Fifthly, the EU needs to be careful about the dual faces of US political parties on**

**climate issues and strengthen energy and climate dialogues with China.** Currently, the EU is aligning its *European Green Deal* with the new EU-US *Agenda for Global Change*, aiming to work with the US to achieve the 2050 carbon neutrality goal, develop a WTO-compatible Carbon Border Adjustment Mechanism, and create a sustainable finance regulatory framework. However, climate change and energy cooperation posed a significant challenge to EU-US strategic partnerships, particularly during the Trump presidency, due to differences in agenda-setting and legislative processes. With the upcoming US presidential election, a Republican win could jeopardize the climate cooperation that has been established between the EU and the US. The EU has to actively develop new solutions and strategies from a long-term perspective and seek more stable partnerships to ensure the continuity and stability of its green policies.

The next five years will be crucial in determining whether China and the EU can meet their climate change goals for 2030. Despite differences, both have a strong commitment to addressing climate change, driven by shared discourse, interests, and principles. Their high level of economic integration also paves the way for deeper cooperation. In these uncertain times, China and the EU should adhere to the spirit of the *Paris Agreement* and work to establish a “rule-based” international climate order based on global norms. As highlighted by the EU in *EU-China – A strategic outlook*, both China and the EU are vital partners in implementing the *Paris Agreement*. They could encourage each other to adopt more ambitious goals of environmental protection and take a greater responsibility for addressing climate challenges, which aligns with their increasing international influence and economic power.





# China-EU Cooperation and Competition in Digital Realm

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The digital transformation of economies has become an inexorable trend, representing a paramount strategic priority for major countries worldwide. Today, the multi-polar trend of global digital economy development is gaining momentum and is developing in greater depth. The rapid growth of artificial intelligence (AI) technology in recent years in particular has brought about new risks and challenges for countries worldwide while pushing forward the leap in technology, promoting industrial optimization, and supporting human progress. China, the US, and the EU have emerged as the three poles in the global digital landscape by leveraging their respective strengths in markets, technology, and regulation formulation.<sup>①</sup> The cooperation and competition between China and the EU in the digital realm mainly focus on technological development and application as well as digital security governance. In response to data breaches, cyberattacks, economic disruptions, “data poisoning”, military threats, and other potential risks posed by AI, China and the EU have opportunities to cooperate to take a strategic lead in AI development and drive global AI governance.

## 1. Digital Transformation of Economy and Digital Governance in China and EU

To drive digital transformation, both China and the EU keep improving their digital development regulations and emphasizing international cooperation in developing the digital economy while actively developing and implementing digital transformation strategies. In recent years, their joint efforts have led to notable progress in digital

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<sup>①</sup> China Academy of Information and Communications Technology, *Global Digital Economy White Paper* (2023), January 2024, p. 18.

transformation. As leaders in the transformation towards digital economy and digital governance, China and the EU have substantial untapped potential for deeper cooperation in these areas.

## **1.1 Characteristics of Digital Transformation in China and EU and the Status Quo of China-EU Cooperation in Digital Transformation**

### **1.1.1 Characteristics and Progress of Digital Transformation in EU**

Since her taking office in 2019, European Commission President Ursula von der Leyen has made accelerating Europe's digital transformation a top priority. To protect its digital and technological sovereignty and enhance the competitiveness in the global digital competition, the EU has developed comprehensive digital strategies, accelerated digital regulation formulation, and has actively promoted international cooperation in digitalization.

**1) Implementing comprehensive digital transformation strategies.** In February 2020, the European Commission introduced three key documents: *Shaping Europe's Digital Future*, *The White Paper on Artificial Intelligence*, and *European Data Strategy* to strengthen Europe's "technological sovereignty" in digital technologies and infrastructure and drive the continent's digital transformation. In March 2020, the European Commission released *European industrial strategy*, emphasizing the acceleration of digital transformations as well as green industries to boost Europe's leadership in global industrial markets. In July 2020, the European Parliament released the report on *Digital sovereignty for Europe*, which outlines the EU's goals and initiatives for building digital sovereignty and enhancing Europe's strategic autonomy in the digital realm. In March 2021, the European Commission unveiled the *2030 Digital Compass: the European way for the Digital Decade*, stating the EU's goals for achieving digital sovereignty and transformation by 2030, along with the methods and metrics for reaching the goal. The four strategic objectives for digital transformation in the Digital Decade are a digitally skilled population and highly skilled digital professionals, secure and performant sustainable digital infrastructures, digital transformation of businesses, and digitalization of public services.<sup>①</sup> In September 2021, the European Commission

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<sup>①</sup> European Commission, "2030 Digital Compass: The European Way for the Digital Decade", March 9, 2021, pp. 4-12, <https://eur-lex.europa.eu/resource.html?uri=cellar:12e835e2-81af-11eb-9ac9->

submitted the proposal *Path to the Digital Decade*, clarifying the EU's 2030 digital transformation targets and implementation mechanisms. In July 2022, the European Parliament and the Council of the European Union reached a political agreement on the proposal to realize the shared goals and indicators for achieving the European digital transformation outlined in the *2030 Digital Compass*. In December 2022, the three main EU institutions jointly signed the *European Declaration on Digital Rights and Principles*, establishing a vision for a people-oriented digital transformation aligned with EU values and fundamental rights and underscoring the EU's commitment to a safe, reliable, and sustainable digitalization. On September 27, 2023, the European Commission released the *Report on the state of the Digital Decade 2023*, which comprehensively assesses the progress of the EU's digital transformation across four dimensions: digital skills, digital infrastructures, digitalization of businesses (including AI adoption), and digitalization of public services. The report calls for collective action among member states to address the current investment gap in European digital transformation to bolster the EU's digital sovereignty, resilience, and competitiveness.<sup>①</sup> The diverse range of digital strategies released by key EU institutions over recent years underscores the EU's emphasis on digital transformation and the realization of "digital sovereignty".

**2) Accelerating the development of digital regulations.** Alongside its emphasis on top-level strategic planning for digital transformation, Europe also focuses on developing digital regulations. Firstly, the EU is accelerating the development of the European single market. A critical approach to achieving this single market is through legislation to establish unified management rules for creating a common data space and enabling the free flow of data within the EU.<sup>②</sup> On January 11, 2024, the EU *Regulation on harmonised rules on fair access to and use of data*, also known as the *Data Act*, came into effect. The act underscores the EU's recognition of data resources' importance and its desire to drive the establishment of a single data market within the EU. It seeks to facilitate the secure and efficient sharing and exchange of data across industries and sectors, strengthening Europe's data sovereignty and competitiveness while driving the

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<sup>①</sup> European Commission, "Report on the State of the Digital Decade 2023", September 27, 2023, <https://digital-strategy.ec.europa.eu/en/library/2023-report-state-digital-decade>.

<sup>②</sup> Zhu Guichang, "Challenges Faced European Union in Digital Development", *People's Tribune*, No. 7, 2020, pp. 122-123.

rapid growth of its digital economy.<sup>①</sup> The *Data Act* complements the *Data Governance Act*, which was adopted by the European Commission in November 2022. While the *Data Act* focuses on rules for data release by the private sector, the *Data Governance Act* addresses data sharing by the public sector.<sup>②</sup> These acts represent crucial steps in implementing the EU’s digital strategy and advancing its digital transformation. Secondly, the EU is strengthening its oversight of the digital realm. With the implementation of the *General Data Protection Regulation* (GDPR) in May 2018, widely considered the strictest privacy law ever, the EU set a new standard for personal data protection and regulation. More recently, the *Digital Markets Act* (DMA) and the *Digital Services Act* (DSA) have added to the critical regulations supporting the EU’s digital transformation efforts. Adopted on November 1, 2022, and implemented on May 2, 2023, the DMA is intended to regulate the practices of major online platforms, limit tech giants’ monopolistic power, and offer consumers more choices. In March 2024, the European Commission launched investigations into three American tech companies – Alphabet (Google’s parent company), Apple, and Meta (Facebook’s parent company) – for possible violations of the DMA. If found non-compliant, these companies could face significant fines. Since February 17, 2024, the DSA has been enforced across all digital platforms in the EU, focusing on regulating online content, ensuring transparency in advertising, and combating misinformation to enhance user safety online. The DMA and DSA together lay the groundwork for unified digital regulations in Europe, fostering a secure and well-regulated digital environment. These acts play a crucial role in curbing the dominance of American tech companies in the European market while creating a favorable environment for innovation and growth among European local digital firms. Thirdly, the digital services tax is a key part of the EU’s institutional efforts toward digital transformation. In response to the rapid digital transformation of the economy, the EU was the first to propose a “digital services tax” in March 2018. As of March 2024, European Countries like Austria, France, Hungary, Italy, Poland, Portugal, Spain, Turkey, Switzerland, and Denmark have implemented a digital tax, while Belgium and the Czech

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<sup>①</sup> Jin Zhaoxin, “Overview of the EU Data Act”, *People’s Court Daily*, March 29, 2024, <https://www.chinacourt.org/article/detail/2024/03/id/7873539.shtml>.

<sup>②</sup> “The EU’s 2022 Data Governance Act as a European Solution for Circulation and Utilization of Data Elements”, *Internal Security References*, April 11, 2022, <https://www.secrss.com/articles/41216>.

Republic have put forward their own proposals on a digital services tax.<sup>①</sup> In December 2022, the European Commission approved a proposal on “VAT in the Digital Age”, aiming to further adapt the EU’s VAT system to the challenges of digitalization. The EU’s push for digital taxes is largely driven by its need for digital sovereignty and the lack of major digital tech companies within its territory. While EU member states have not yet reached a consensus on digital taxation, their efforts to explore digital taxation can help address the tax challenges posed by digitalization and support the digital transformation of the European single market.

**3) Strengthening international digital cooperation.** Strengthening international cooperation in the digital realm is a crucial aspect of the EU’s digital transformation, with digital partnerships serving as essential carriers for promoting European values. Guided by the *2030 Digital Compass*, the EU is committed to the formation of a wider coalition of like-minded partners, building on the transatlantic relationship. This coalition will be open to and developed together with all those who share its vision of a people-oriented digital transformation, defend the open and decentralized Internet, adopt technology that respects individual freedoms, promote a digital level playing field, and boost innovation and competitiveness.<sup>②</sup> The EU’s international digital cooperation builds on the transatlantic relationship as a strong pillar. The EU-US Trade and Technology Council (TTC), established in June 2021, is focused on strengthening the trade and investment relationship between the US and the EU to advance cooperation in technologies like AI, 6G, online platforms, and quantum computing. The TTC develops compatible technical standards to reinforce joint US-EU leadership in technology and industry. The EU also set up a trade and technology council with India in April 2022, aiming to deepen cooperation in trade and technology between the two sides. The EU has established digital partnerships with Japan, South Korea, and Singapore. However, progress in digital cooperation with China has been slow due to differences in values and political systems, as well as their differing stances on the Ukraine issue.

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<sup>①</sup> KPMG, “Taxation of the Digitalized Economy. Developments Summary”, July 25, 2024, <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/digitalized-economy-taxation-developments-summary.pdf>.

<sup>②</sup> European Commission, “2030 Digital Compass: The European Way for the Digital Decade”, March 9, 2021, p. 19, [https://eur-lex.europa.eu/resource.html?uri=cellar:12e835e2-81af-11eb-9ac9-01aa75ed71a1.0001.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:12e835e2-81af-11eb-9ac9-01aa75ed71a1.0001.02/DOC_1&format=PDF).

The EU and its member states have made significant advances in the digital realm. According to the EU's *Digital Economy and Society Index 2022*, most EU member states made notable progress in digital transformation during the COVID-19 pandemic. Countries like Finland, Denmark, the Netherlands, and Sweden have emerged as top performers in digitalization. However, the EU as a whole still faces challenges in areas such as digital skills, digitalization of SMEs, and 5G deployment.<sup>①</sup>

Currently, Europe's digital transformation still faces diverse challenges, and the goal of achieving "digital sovereignty" remains unmet. Such challenges include disparities in digital development among its member states, digital infrastructure needing further optimization and upgrades, demand for digital investments, and the need to balance innovation and regulation in the long term.<sup>②</sup> The *Report on the State of the Digital Decade 2024*, released by the European Union in July 2024, reveals that the EU is far from meeting the connectivity targets set for the "Digital Decade". Significant disparities remain in the progress of digital transformation among member states, particularly in the deployment and application of digital infrastructure as well as in talent cultivation. Currently, only 64% of households have access to fiber-optic broadband, while the usage rate of gigabit broadband is merely 18.5%. The coverage of the C-Band spectrum for 5G stands at only 50%,<sup>③</sup> falling far short of the goal of achieving 100% coverage by 2030. Moreover, there are widespread challenges in meeting targets for developing information and communication technology (ICT) professionals, data analysis, and artificial intelligence capabilities. Overall, in terms of digital infrastructure, Europe has fallen behind in deploying standalone 5G networks, with the quality of 5G services barely meeting end-user expectations and industry needs. An estimated additional investment of at least EUR 200 billion is needed to achieve gigabit coverage across the entire EU and 5G availability in all densely populated areas. Regarding the digitalization of businesses, only 69% of European SMEs currently have a basic level of digital intensity. There is a significant gap between the present status and the goal outlined in the *Path to*

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<sup>①</sup> European Commission, "The Digital Economy and Society Index (DESI) 2022", July 28, 2022, p. 8, <https://digital-strategy.ec.europa.eu/en/library/digital-economy-and-society-index-desi-2022>.

<sup>②</sup> Ding Chun, "Characteristics and Implications of Digital Transformation in the European Union", *People's Tribune*, No. 9, 2021, p. 108.

<sup>③</sup> European Commission, "2030 Digital Decade Report. Report on the State of the Digital Decade 2024", July 2, 2024, p. 16, <https://digital-strategy.ec.europa.eu/en/library/report-state-digital-decade-2024>.

*the Digital Decade* – to have over 90% of key businesses reach at least a basic level of digital intensity by 2030. Disparities and deficiencies in digital transformation continue to exist among member states.<sup>①</sup> As of early 2023, the EU had just 249 unicorn companies (privately owned tech startups founded in the past ten years with a valuation of over USD 1 billion), significantly trailing behind the US with 1,444 and China with 330.<sup>②</sup> Moreover, the prolonged Russo-Ukrainian conflict has severely disrupted the EU’s digital transformation efforts, exacerbating risks of energy and economic crises.

### **1.1.2 Characteristics and Progress of Digital Transformation in China**

**1) Accelerating implementation of digital transformation strategies.** China released digital strategies quite early. Since the 18th National Congress of the CPC, President Xi Jinping has placed paramount importance on digital transformation for the nation’s economic and social development and instructed comprehensive development of Digital China while systematically promoting the rapid digital transformation of the economy. China’s 14th Five-Year Plan included various objectives for digital transformation, including “accelerate digitalization-based development and construct a digital China” and “build new advantages in the digital economy”.<sup>③</sup> In May 2020, amid the global COVID-19 pandemic, China’s National Development and Reform Commission and other ministries and commissions initiated the “Digital Transformation Partnership Action” initiative to facilitate the digital transformation of small and micro enterprises. The Report to the 20th National Congress of the CPC states, “We will accelerate the development of the digital economy, further integrate it with the real economy, and build internationally competitive digital industry clusters”. In March 2023, the CPC Central Committee and the State Council jointly issued the *Plan for the Overall Layout of Building a Digital China*. The plan explicitly points out that “building a Digital China is an important engine for the advancement of Chinese modernization in the digital era and powerfully supports the construction of a new advantage in national competitiveness”.<sup>④</sup>

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<sup>①</sup> European Commission, “First Report on the State of the Digital Decade Calls for Collective Action”, September 27, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_4619](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4619).

<sup>②</sup> Ibid.

<sup>③</sup> Ding Chun, “Characteristics and Implications of Digital Transformation in the European Union”, *People’s Tribune*, No. 9, 2021, p. 109.

<sup>④</sup> The State Council of the People’s Republic of China, “The Central Committee of the CPC and the State Council Release ‘Plan for the Overall Layout of Building a Digital China’”, February 27, 2023, [https://www.gov.cn/zhengce/2023-02/27/content\\_5743484.htm](https://www.gov.cn/zhengce/2023-02/27/content_5743484.htm).

The plan constitutes a significant deployment for building a Digital China, aiming to accelerate the process and enhance China's digital capabilities.

**2) Continuously improving digital regulations.** In recent years, an increasingly robust legal framework for data security has become essential to supporting China's steady progress in industrial digital transformation. The *Cybersecurity Law of the People's Republic of China* was the country's first comprehensive fundamental law governing cybersecurity. It has played a key role in guiding the digital transformation of China's economy and society since it took effect on June 1, 2017. As critical resources for accelerating digital transformation and digital economy growth, digital assets are central to China's efforts in developing digital regulations. On June 10, 2021, China formally introduced the *Data Security Law of the People's Republic of China*, which provides for the responsibilities of data managers and operators and gives clear guidelines for data protection, positively influencing the digital transformation process. Later that year, on November 1, China enacted the *Personal Information Protection Law of the People's Republic of China*, designed to protect individuals' data rights, regulate the processing of personal information, and encourage its responsible use. This law represents a significant milestone in the country's digital transformation efforts. In December 2023, China introduced the *Guiding Opinions on Strengthening Data Asset Management* to standardize and enhance the management of digital assets, empower the digital transformation of the real economy, and accelerate the growth of the digital economy.<sup>①</sup>

**3) Enhancing international digital cooperation.** In its efforts for digital transformation, China has actively promoted and engaged in international cooperation in the digital economy and the development of related regulations.<sup>②</sup> In a congratulatory note to the opening of the first World Internet Conference in November 2014, President Xi Jinping expressed China's readiness to cooperate with other countries to enhance international cooperation. He advocated building a peaceful, secure, open, and cooperative cyberspace and establishing an international Internet governance system of multilateralism,

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<sup>①</sup> The State Council of the People's Republic of China, *Circular on Release of Guiding Opinions on Strengthening Data Asset Management*, December 31, 2023, [https://www.gov.cn/zhengce/zhengceku/202401/content\\_6925470.htm](https://www.gov.cn/zhengce/zhengceku/202401/content_6925470.htm).

<sup>②</sup> Ouyang Rihui, "Profoundly Understanding the Connotation and Practical Requirements of Accelerating the Building of Digital China", *Governance*, No. 8, 2024, p. 15.



democracy, and transparency.<sup>①</sup> In September 2020, China proposed the *Global Initiative on Data Security* to offer a blueprint for developing international data regulations. China calls on all countries to strengthen cooperation in digital technology, uphold the right of each country to protect its data security legally and foster an open, fair, and non-discriminatory business environment for all businesses. In a congratulatory letter to the World Internet Conference Wuzhen Summit in September 2021, President Xi Jinping emphasized that “China is also willing to work with other countries in the world to make the digital civilization benefit people of all countries, and fostering a global community of shared future”. Building a community with a shared future in the digital world offers an effective solution to addressing global digital governance challenges. This involves improving multilateral mechanisms for global digital governance, with countries working together to tackle governance issues by following the principles of extensive consultation, joint contribution, and shared benefits. It also calls for stronger cooperation in the development of digital infrastructures, including AI, the Internet of Things, and 5G. Efforts are proposed to advance digital technology, accelerate digital transformation, deepen international cooperation in cyberspace, and reduce the digital divide.<sup>②</sup>

China’s digital transformation has made significant progress. China has the largest digital market in the world, and continually improves its top-level design of the digital economy and possesses leading global digital resources.<sup>③</sup> In 2023, the scale of China’s digital economy exceeded CNY 55 trillion, accounting for about 43.6% of its GDP. The pace of digital transformation is accelerating across various sectors. Especially in electric vehicles and electronic controls, China has not only reduced its long-standing dependence on imported core technologies but has also achieved a “cornering” strategy, overtaking some developed countries. However, the country still needs to enhance its research and development capabilities in digital technology and improve the global competitiveness of its digital enterprises. Additionally, its digital governance regulations

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<sup>①</sup> “Xi Jinping’s Congratulatory Note to the First World Internet Conference Emphasizes Joint Efforts for Building a Peaceful, Secure, Open, and Cooperative Cyberspace and Establishing an International Internet Governance System of Multilateralism, Democracy, and Transparency”, *People’s Daily*, November 20, 2014, p. 1.

<sup>②</sup> Luo Lizhang, “The Significance and Path of Building a Digital Community with a Shared Future”, *Guangming Daily*, December 27, 2023, p. 6.

<sup>③</sup> China Academy of Information and Communications Technology, *Global Digital Economy White Paper* (2023), January 2024, p. 18.

require continuous improvement. Moreover, China’s digital transformation journey has encountered significant challenges, largely due to the negative effects of the US government’s “small yard, high fence” strategy aimed at suppressing China, the “securitization” of trade and technology issues, and the US-EU “de-risking” strategy targeting China.

### **1.1.3 China-EU Cooperation in Digital Transformation**

When examining the digital transformation efforts of China and the EU, it is clear that both sides place great importance on the role of digital transformation in achieving societal progress and stability, economic prosperity, competitiveness, and global influence. They remain steadfast in advancing their digital transformation initiatives and actively implement strategies to support digital transformation. However, against the backdrop of a sluggish global economic recovery, rising geopolitical tensions, and increasing digital security risks, SMEs in China and the EU face similar challenges in their digital transformation efforts. These include a shortage of specialized talents, inadequate follow-up investments, and underdeveloped mechanisms. The lack of skilled digital talents significantly hampers the digitalization of businesses, and pressures for survival have dampened their enthusiasm for embracing digital change. Additionally, many enterprises lack proven mechanisms to effectively support their digital management and operations.

As China continues to deepen its reforms and opening-up policies, economic and trade relations between China and the EU have grown increasingly close. Digital cooperation has become a key topic in high-level dialogs, a vital area for industrial cooperation, and an essential window for scientific and technological exchanges. China-EU cooperation in the digital realm began after China’s reform and opening up, with major European ICT companies like Siemens, Ericsson, and Nokia increasing their investments in China. As a result, trade in ICT goods between China and the EU grew significantly, from USD 23.7 billion in 2003 to USD 176.5 billion in 2021. During this period, China evolved from a contractor of ICT products and services into a provider.<sup>①</sup> In the 2010s, China strengthened its partnerships with European digital companies. In a notable example,

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<sup>①</sup> Zhang Chunfei, Qiu Chenxi, and Li Kan, “State and Measures of China-EU Digital Cooperation under the New Situation”, *New Economy Weekly*, No. 6, 2023, pp. 68-69.

Midea Group, based in Guangdong, China, announced an offer to buy shares worth up to EUR 4 billion of German factory robot manufacturer Kuka AG in May 2016. Over the years, Midea gradually acquired a controlling interest in KUKA and put more resources into deeper cooperation with KUKA. This has enabled Midea to shift from traditional home appliance manufacturing to emerging industries. Meanwhile, the partnership has helped KUKA accelerate its digital transformation, gain greater market access, and secure a vital boost for growth.

However, as China-US tensions have intensified and the digital capabilities of China and the EU have evolved, digital cooperation between the two has become increasingly difficult. In particular, Huawei's 5G network has faced discriminatory policies, restrictions, or outright bans in many European countries. A current trade dispute between China and the EU over tariffs on electric vehicles has further strained their digital cooperation.

### **Case Study: Digital Transformation – China-EU Dispute over Electric Vehicle Tariffs**

The China-EU dispute over electric vehicle tariffs centers on the EU's claim that Chinese automakers benefit from unfair price advantages due to government subsidies, which put European car manufacturers at a disadvantage. In response, China accuses the EU of engaging in protectionism as well as violating trade rules. Despite more than ten rounds of technical negotiations since late June 2024, the two sides have yet to reach a satisfactory resolution, leading to a noticeable escalation in trade tensions. On August 20, 2024, the European Commission disclosed the final anti-subsidy measures for its investigation into Chinese electric vehicles, which will impose duties of 17% to 36.3% on battery electric vehicles made by Chinese and European manufacturers in China. Tesla electric vehicles made in China have a separate duty rate, set at 9%. China's Ministry of Commerce has strongly opposed the EU's actions, alleging that anti-subsidy investigation had preset findings and the EU's procedures strayed from its commitments to "objectivity, fairness, non-discrimination, and transparency". The ministry argued that the EU's measures violated WTO rules and would destabilize global automotive supply chains, harm European consumers, and hinder the EU's own green transition and climate

change goals.<sup>①</sup>

As trade tensions between China and the EU intensify, China has expanded the scope of its retaliatory investigations. In January 2024, China launched an anti-dumping investigation into imported brandy from the EU. In June, China initiated a similar investigation into imported pork and pork by-products. On the day following the EU Commission's announcement of its definitive anti-subsidy measures against Chinese electric vehicles, China's Ministry of Commerce responded with an anti-subsidy investigation into imported dairy products from the EU. This dispute over electric vehicle tariffs is straining the cooperation of the automotive industry between China and the EU and jeopardizing their trade environment. It even has the potential to trigger a broader trade war, affect more industries, and worsen Europe's already fragile economic situation. The Kiel Institute for the World Economy estimated that EU's tariffs on Chinese electric vehicles could cost China nearly USD 4 billion in trade with the EU.<sup>②</sup> However, some analysts believe that these tariffs will not prevent Chinese automakers' continued expansion into the European market. China's new energy vehicles remain highly competitive in Europe with a growing, integrated supply chain and a significant scale advantage.<sup>③</sup> For Europe, the EU's imposition of punitive tariffs on Chinese electric vehicles is not without considerable ramifications. The EU's digital protectionist measures contravene the realist trajectory of economic development and run counter to globalization trends. They risk not only reducing the competitiveness of European car manufacturers but also limiting European consumers' access to more cost-effective electric vehicles. Additionally, these tariffs could discourage investment in European countries from Chinese companies, potentially hindering Europe's progress in its own digital transformation. The tariff dispute between China and the EU highlights the broader challenges in their digital cooperation, revealing a lack of strong communication

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<sup>①</sup> Ministry of Commerce of the People's Republic of China, "Spokesperson for the Ministry of Commerce Responds to Journalists' Questions on the Final Decision of the EU's Anti-Subsidy Investigation into Electric Vehicles Made in China", August 20, 2024.

[https://www.mofcom.gov.cn/syxwfb/art/2024/art\\_f846f1494a8a4fe48145ad2120c867bc.html](https://www.mofcom.gov.cn/syxwfb/art/2024/art_f846f1494a8a4fe48145ad2120c867bc.html).

<sup>②</sup> "EU Tariffs Against China Redirect Trade of EVs Worth Almost USD 4 Billion", Kiel Institute for the World Economy, May 31, 2024, <https://www.ifw-kiel.de/publications/news/eu-tariffs-against-china-redirect-trade-of-evs-worth-almost-usd-4-billion/>.

<sup>③</sup> KPMG, *China's New Energy Vehicles Build Dreams in Europe*, June 2023, pp. 50-51. <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/zh/2023/06/china-s-new-energy-vehicles-in-europe.pdf>.

and consultation mechanisms. Moreover, the escalating China-US rivalry, shifting digital capabilities of China and the EU, ongoing China-EU trade disputes, and the impact of the Russo-Ukrainian conflict on China-EU relations have further limited the potential for effective digital cooperation between the two sides.

## **1.2 Similarities and Differences in Global Digital Governance Concepts and Models Held by China and the EU**

The UNCTAD's *Digital Economy Report 2021* identifies three main governance approaches that are of particular influence worldwide. The approach of the United States focuses on control of the data by the private sector. The Chinese model emphasizes control of data by the government, while the European Union favors control of data by individuals on the basis of fundamental rights and values.<sup>①</sup> As countries tighten regulations on cross-border data flows to protect national data security, the EU maintains a preference for individual data control grounded in fundamental rights, while China highlights the government's central role in digital regulation. The differences in governance approaches between China and the EU arise from their distinct philosophies on digital governance. The EU promotes digital constitutionalism, carrying on principles like the rule of law, separation of powers, democracy, and human rights in the digital age. It aims to rebalance the power dynamics among the state, businesses, and individuals with laws limiting the power gained by the state and digital tech giants as a result of their advantages in digital technology and data dominance, which increase their control over digital products and services.<sup>②</sup> In contrast, China emphasizes the concept of cyber sovereignty, which it defines as the extension of national sovereignty into cyberspace. This approach asserts a state's right to exercise supreme internal authority and independence from external influence over its network infrastructure, entities, activities, and related data. In this view, sovereign states are the primary actors responsible for managing activities and maintaining order in cyberspace.<sup>③</sup>

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<sup>①</sup> United Nations Conference on Trade and Development, "Digital Economy Report 2021. Cross-border Data Flows and Development: From Whom the Data Flow", September 29, p. xviii, 2021, [https://unctad.org/system/files/official-document/der2021\\_en.pdf](https://unctad.org/system/files/official-document/der2021_en.pdf).

<sup>②</sup> Edoardo Celeste, "Digital Constitutionalism: A New Systematic Theorisation", *International Review of Law, Computers & Technology*, Vol. 33, Issue 1, 2019, pp. 76-99.

<sup>③</sup> World Internet Conference, *Network Sovereignty: Theory and Practice (Version 4.0)*, November 9, 2023, [https://cn.wicinternet.org/2023-11/09/content\\_36955448.htm](https://cn.wicinternet.org/2023-11/09/content_36955448.htm).

From a power dynamics perspective, Europe’s approach to digital constitutionalism aims to limit the power of national governments, whereas China’s cyber sovereignty emphasizes the authority of Governments in maintaining order within cyberspace. However, national governments worldwide are generally strengthening their governance and oversight of the digital realm when facing challenges posed to national security by the development and application of digital technologies and recognizing their significance in strategic competition. They seek to dynamically balance development and security and balance free data flow and regulation and protection. The EU’s digital constitutionalism does not exclude the role of government regulation. The European Commission, as the EU’s main executive body, oversees large digital platform companies and conducts investigations as necessary. For instance, the *Digital Services Act* of the EU provides for regulatory bodies and mandates each EU member state to create an independent agency with the authority to conduct investigations and impose sanctions on digital actors operating within their jurisdictions. While emphasizing the central role of the government in digital governance, China is also exploring the responsibilities and roles of both government and non-government entities in the digital realm. China is promoting broader stakeholder involvement in digital economic governance and is actively working to establish a coordinated governance model that includes the government, businesses, and society.<sup>①</sup> A core legal principle in China’s approach to cyber sovereignty focuses on two key aspects. Internally, it aims to protect the legitimate rights and interests of citizens, organizations, and businesses in cyberspace, ensure data security and personal information, as outlined by law. Externally, China respects the cyber sovereignty of other countries, refraining from using the Internet to interfere in their internal affairs or engaging in, allowing, or supporting any cyber activities that could harm the national security or interests of other countries.<sup>②</sup> It is evident that China’s concept of “cyber sovereignty” and the EU’s “digital constitutionalism” are not inherently contradictory. Instead, they share similar objectives of protecting citizens’ rights and national data security, encouraging the legal, orderly, and free flow of data,

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<sup>①</sup> Sun Yi, “Cultivating New Momentum for the Development of Digital Economy”, *Guangming Daily*, July 4, 2024, [https://news.gmw.cn/2024-07/04/content\\_37419239.htm](https://news.gmw.cn/2024-07/04/content_37419239.htm).

<sup>②</sup> World Internet Conference, *Network Sovereignty: Theory and Practice (Version 4.0)*, November 9, 2023, [https://cn.wicinternet.org/2023-11/09/content\\_36955448.htm](https://cn.wicinternet.org/2023-11/09/content_36955448.htm).

and unlocking the economic and social benefits of the digital economy.

On August 27, 2024, the first meeting of the China-EU Cross-Border Data Flow Communication Mechanism took place via video conference. This mechanism was jointly established by China's Cyberspace Administration and the European Commission's Directorate-General for Trade. During the meeting, officials from both sides had in-depth and constructive discussions on specific issues and regulatory frameworks related to cross-border data flows for businesses.<sup>①</sup> Enhanced China-EU exchanges and cooperation on cross-border data flows could significantly boost digital trade between the two sides. However, their communication and cooperation in digital governance have to be further enhanced. In the context of intensifying global strategic competition, the EU's approach to digital regulations and its choice of digital partners are increasingly shaped by ideology. The EU's digital transformation strategy driven by values often positions China as a competitor, aiming to secure a leading role in global digital regulation formulation. Meanwhile, China's *Global Initiative on Data Security* and its vision of a digital community with a shared future have received limited support from the EU and its member states, highlighting their intent to limit China's influence in global digital regulation formulation.

### **Case Study: Digital Platform Governance - Regulatory Issues Around TikTok**

On February 19, 2024, the European Commission launched a formal investigation into TikTok to determine whether the platform had violated the EU's *Digital Services Act* in terms of child protection, advertising transparency, researcher data access, addictive design, and risk management of harmful content. If violations were found, TikTok could face fines of up to 6% of its global revenue. On April 22, the EU launched the second investigation into TikTok, finding that the reward system in TikTok Lite (a streamlined version of the app) contained a reward scheme that could easily contribute to children's addiction and lacked proper risk assessments and effective mitigation measures. Two days later, TikTok announced suspending the virtual item reward system for TikTok Lite users. In a transparency report on content review in the EU released by TikTok at the end

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<sup>①</sup> Cyberspace Administration of China, "China-EU Cross-Border Data Flow Communication Mechanism Established and First Meeting Held", August 27, 2024, [https://www.cac.gov.cn/2024-08/27/c\\_1726446002030713.htm](https://www.cac.gov.cn/2024-08/27/c_1726446002030713.htm).

of April, the platform removed around 13 million pieces of content that violated its policies and banned over 3 million accounts between October and December 2023 in its efforts to comply with the EU's *Digital Services Act*. As TikTok's user base in the EU continues to grow and regulatory scrutiny intensifies, the platform is focused on continuously improving its content moderation practices, cracking down on policy violations and illegal activities, and ensuring a safer, more reliable digital environment for its users.

Strengthening digital platform regulation is a key part of the EU's efforts to protect its "digital sovereignty" and is not solely aimed at China. Shortly after the EU's *Digital Markets Act* took effect in March 2024, the EU initiated investigations into American tech giants like Apple, Alphabet, and Meta. If these investigations uncover violations, these companies could face fines of up to 10% of their global revenue, and the fines could reach as high as 20% for repeat offenses. However, the EU's stance toward TikTok was somewhat influenced by US actions against the digital platform. In March 2024, the US House of Representatives passed the *Protecting Americans from Foreign Adversary Controlled Applications Act*, putting TikTok at risk of a forced sale or outright ban in the US. Amid the heated discussions over this potential ban, on April 29, European Commission President Ursula von der Leyen expressed concern about the risks TikTok poses and indicated that the EU was considering following the US in potentially banning TikTok entirely within the region.<sup>①</sup> However, von der Leyen's stance has not garnered support from all EU member states. Before her statement, German Chancellor Olaf Scholz had sent his first post on TikTok on April 8. French President Emmanuel Macron, an experienced user of the platform, has built a following of 4.2 million since sharing his first video in July 2020. On May 2, Croatian President Zoran Milanović pushed back on the suggestion by von der Leyen that the EU should ban TikTok, saying that member countries should be able to decide for themselves whether they want to restrict use of the app.<sup>②</sup> Notably, with TikTok's strong appeal among European youth, more European

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<sup>①</sup> Maïthé Chini, "EU-wide TikTok Ban is 'Not Excluded,' Says von der Leyen", *The Brussels Times*, April 30, 2024, <https://www.brusselstimes.com/1027797/eu-wide-tiktok-ban-is-not-excluded-says-von-der-leyen>.

<sup>②</sup> Seb Starcevic, "Croatian President hits out at prospect of EU TikTok Ban", *POLITICO*, May 2, 2024, <https://www.politico.eu/article/croatian-president-hits-out-at-von-der-leyen-over-tiktok-ban-comments/>.



politicians recognize its potential for engaging with younger voters.

The case studies discussed above highlight a shared understanding between China and the EU on data security governance and a stable global digital order. In the *Global Initiative on Data Security*, China advocates handling data security in a comprehensive, objective, and evidence-based manner, standing against ICT activities that impair or steal important data of other countries, encouraging companies to abide by laws and regulations of the countries where they operate, and respecting the sovereignty, jurisdiction, and governance of data of other countries. Any business model, product, or service provided by companies abroad must adhere to the legal frameworks of the host countries. From China's perspective, the strong foundation of trade between China and the EU, along with the inherent demand for digital cooperation, presents significant opportunities. Cooperation can strengthen Europe's role in global digital governance and regulation formulation, allowing the EU to establish "digital sovereignty" and "technological sovereignty" and boost the international competitiveness of its digital economy. China desires to engage in the global digital governance system actively, promote international cooperation on the development and security of digital technologies, help tackle the security and governance challenges posed by technological advancements, bridge the global digital divide, and ensure that the benefits of technological progress are shared worldwide. In China-EU digital relations, China sees the EU as a key digital partner and hopes to enhance cooperation on cross-border data flows with the EU and its member states. By opening up their respective digital markets, both sides can leverage their strengths in areas like digital infrastructure development and digital regulation formulation.

### **1.3 Real-World Challenges**

As competition in global digital governance heats up, many EU member states are increasingly viewing China as a digital competitor, driven by the Russo-Ukrainian conflict, the US-China rivalry, and shifting industrial power dynamics between China and the EU. The digital cooperation between China and the EU faces considerable challenges.

**1) Intensifying global digital governance competition and exclusive groups based on ideological divides hinder China-EU cooperation in global digital governance.** Digital technology standards are becoming tools of geopolitics, and digital governance

rules are increasingly linked to values<sup>①</sup>. China and the EU are caught in intensifying competition for global digital governance. The EU's positioning of China as a "partner, competitor, and rival" is increasingly evident in China-EU digital relations. Since the EU introduced its "Global Gateway" initiative in September 2021, it has been widely viewed as responding to China's Belt and Road Initiative. Germany's "China Strategy", released in July 2023, notes that infrastructure loans under the Belt and Road Initiative will lead to long-term political dependence on China.<sup>②</sup> In late 2023, Italy officially withdrew from the Belt and Road Initiative. In contrast, China's position remains clear and consistent. It advocates aligning the Belt and Road Initiative with the EU's Global Gateway strategy to leverage their respective strengths and together help developing countries accelerate their infrastructure development.<sup>③</sup> Europe's weak digital industries and its lack of digital sovereignty are considered as a security issue. China and the United States are seen as economic rivals but also security threats when it comes to issues such as espionage and data protection.<sup>④</sup> This perception poses a significant obstacle to cooperation between China and the EU in digital transformation and governance.

**2) The intensifying strategic rivalry between the US and China is causing structural shifts in the trilateral relations between China, the US, and the EU, making China-EU digital cooperation more challenging.** The complex international geopolitical environment marked by increasing confrontation and conflict hinders China-EU digital cooperation. Notably, differing positions on the Ukraine issue have directly complicated China-EU digital cooperation. Currently, in the field of emerging digital technologies, the European Union is gradually adopting the U.S. "small yard, high fence" strategy, imposing stricter restrictions on Chinese investments in sectors such as chips, artificial intelligence, and 6G. For instance, since 2024, the EU's Smart Networks and Services Joint Undertaking (SNS-JU) has imposed discriminatory restrictions on Chinese

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<sup>①</sup> Zhang Monan, "Global Digital Governance Game and China's Response", *Contemporary World*, Issue 3, 2022, pp. 28-33.

<sup>②</sup> Die Bundesregierung, "China-Strategie der Bundesregierung", July 13, 2023, p. 48. <https://www.auswaertiges-amt.de/blob/2608578/810fdade376b1467f20bdb697b2acd58/china-strategie-data.pdf>.

<sup>③</sup> Ministry of Foreign Affairs of the People's Republic of China, "Wang Yi: the Belt and Road Is an Open Platform, Ready to Dock with Other Interconnectivity Initiatives, October 19, 2023, [https://www.mfa.gov.cn/wjzbzd/202310/t20231019\\_11163470.shtml](https://www.mfa.gov.cn/wjzbzd/202310/t20231019_11163470.shtml).

<sup>④</sup> Linda Monsees and Daniel Lambach, "Digital Sovereignty, Geopolitical Imaginaries, and the Reproduction of European Identity", *European Security*, Vol. 31, Issue 3, 2022, pp. 377-394.

companies in 6G project applications, citing “third-country supply chain risks” to limit their participation. Such origin-based screening standards have significantly hindered normal R&D cooperation between China and the EU. Amid the ongoing Russo-Ukrainian conflict and heightened geopolitical competition between powers, the EU places greater emphasis on its strategic security partnership with the transatlantic ally over its economic ties with China. However, this does not mean that Europe should take sides between China and the US, as doing so would mean sacrificing substantial benefits from the other. Aligning with the US in restricting China’s economic and investment activities could undermine EU unity and weaken Europe’s strategic autonomy. After European Commission President Ursula von der Leyen’s successful reelection, her proposal to screen investments into China was met with resistance from EU member states and businesses. They recognize that there is no need to choose between the US’s security alliance and China’s economic opportunities.

### **3) Escalating China-EU trade friction negatively impacts their digital cooperation.**

Guided by the “de-risking” strategy toward China, non-economic factors have increasingly influenced China-EU economic and trade relations. The China-EU electric vehicle tariff dispute not only disrupts fair competition in the global automotive industry but also escalates trade tensions between them, jeopardizing digital cooperation and hampering progress toward their respective digitalization and green transition goals. Advancing China-EU digital cooperation and improving the global digital environment will require both sides to enhance dialogs, resolve trade disputes amicably, and work together to create a fair and orderly digital market.

## **2. China and the EU Embrace Opportunities and Challenges of AI Together**

In the technological, economic, military, and governance aspects of AI, China and the EU are engaged in competition, but not confrontation between different political systems.<sup>①</sup> They can coordinately embrace the opportunities and challenges presented by the development and application of AI technology.

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<sup>①</sup> Xu Xing and Mao Weizhun, “Constructing a ‘Big Picture’ for Promoting International Artificial Intelligence Cooperation”, *World Affairs*, No. 11, 2024, pp. 24-25.

## 2.1 Opportunities for China-EU Cooperation Driven by AI

**1) Cooperation in digital regulation formulation.** In March 2024, the European Parliament formally adopted the *Artificial Intelligence Act*, designed to ensure a fair competitive environment for AI while safeguarding the fundamental rights and freedoms of individuals within the EU. As the world's first most comprehensive AI regulatory framework, the act is expected to enhance the EU's "Brussels Effect", positioning it as a leader in setting global AI standards and regulations. Europe's innovative approach to AI regulation formulation, with a strong focus on protecting personal data, provides valuable lessons for China as it continues to refine its digital market and service governance regulations. In October 2023, during his keynote speech at the opening ceremony of the Third Belt and Road Forum for International Cooperation, President Xi Jinping introduced the *Global AI Governance Initiative*. The initiative sets out China's approach to AI development and governance, focusing on AI development, security, and governance, providing a roadmap for global AI development and governance. Central to China's approach is a key governance principle: China supports the creation of AI governance frameworks and standards based on broad consensus while fully respecting differences in policies and practices among countries. China also supports discussions within the United Nations framework to establish an international institution to govern AI and efforts to conduct international cooperation with and provide assistance to developing countries to bridge the gap in AI and its governance capacity.<sup>①</sup> Both China and the EU share aspirations to lead in global AI development, seeking to expand their voice and influence on AI regulation. Working with China on digital regulation formulation could enhance the EU's global role in AI governance and serve as a valuable opportunity to test the effectiveness and practicality of the EU AI Act.

**2) Cooperation in security governance.** The EU AI Act provides a legal framework based on risk identification,<sup>②</sup> with more stringent regulation for applications that pose greater societal risks. The act classifies risks associated with AI systems into four categories: unacceptable risks, high risks, limited risks, and minimal risks. High-risk AI

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<sup>①</sup> *Global AI Governance Initiative*, Third Belt and Road Forum for International Cooperation, October 19, 2023, <http://www.beltandroadforum.org/n101/2023/1019/c134-1232.html>.

<sup>②</sup> Lu Chuanying, *The EU Launches of the World's First AI Regulation -- An Effect or Trap*, *World Affairs*, No. 6, 2024, pp. 35-37.

systems must comply with strict safety standards to be allowed within the EU, while AI systems that could severely threaten human rights, freedoms, or democratic principles are classified as to have unacceptable risks and are prohibited. Even lower-risk AI systems must meet the requirements specified in the act. The *Global AI Governance Initiative* put forth by China promotes a shared, comprehensive, cooperative, and sustainable approach to security. It emphasizes “promoting the establishment of a testing and assessment system based on AI risk levels, and making AI technologies more secure, reliable, controllable, and equitable”.<sup>①</sup> The security challenges posed by AI are a global concern that all nations face and have implications for the human future. China and the EU have the opportunity to work together to advance global AI governance, direct AI to empower humanity, and ensure AI contributes positively to human progress.

**3) Cooperation in technological development.** The EU’s pursuit of technological and digital sovereignty largely depends on making advancements in AI. Currently, the EU trails behind the US and China in AI technology. According to data from the World Intellectual Property Organization (WIPO), China led in applications for generative AI patent from 2014 to 2023, with 38,210 applications, followed by the US with 6,276. The UK and Germany ranked sixth and seventh with 714 and 708 applications, respectively.<sup>②</sup> This lag in AI technology limits the potential for AI-driven economic growth in Europe and weakens the “Brussels Effect” considerably. China’s rapid progress in AI offers opportunities for cooperation with EU countries. Enhancing cooperation with China in AI technology could help the EU strengthen its digital and technological sovereignty and boost its global competitiveness in the digital realm.

As for the philosophy for developing AI technology, the EU AI Act focuses on enhancing the internal market and promoting people-oriented, trustworthy AI applications. It prioritizes protecting the fundamental rights as outlined in the *Charter of Fundamental Rights of the European Union* to avoid the unfavorable impact of AI while encouraging innovation.<sup>③</sup> On the development dimension, China’s *Global AI Governance Initiative* upholds a people-centered approach to developing AI, with the goal of increasing the

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<sup>①</sup> *Global AI Governance Initiative*, Third Belt and Road Forum for International Cooperation, October 19, 2023, <http://www.beltandroadforum.org/n101/2023/1019/c134-1232.html>.

<sup>②</sup> WIPO, “Patent Landscape Report – Generative Artificial Intelligence”, 2024, p. 42.

<sup>③</sup> European Parliament, “Artificial Intelligence Act”, P9\_TA(2024)0138, March 13, 2024, [https://www.europarl.europa.eu/doceo/document/TA-9-2024-0138\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/TA-9-2024-0138_EN.pdf).

well-being of humanity and on the premise of ensuring social security and respecting the rights and interests of humanity, so that AI always develops in a way that is beneficial to human civilization. China upholds the principles of mutual respect, equality, and mutual benefit and opposes drawing malicious intentions to obstruct other countries from developing AI.<sup>①</sup> These shared elements in AI development philosophies create a strong foundation for potential cooperation between China and the EU.

## **2.2 China and the EU Embrace Challenges of AI Together**

The rapid advancement of AI technology and its applications has brought numerous challenges, such as data privacy and security, ethical concerns, technological unemployment, and the need for societal adaptation. China and the EU have the potential to work together to tackle the following challenges.

**1) Rapid AI development presents significant challenges for regulatory bodies worldwide.** AI enhances the capabilities of online platforms' capabilities, but it also complicates government efforts to combat misinformation, deepfakes, and cyberattacks, thereby heightening global cybersecurity risks. Ongoing debates about AI legislation focus on finding the right balance between protecting citizens' fundamental rights and fostering innovation in AI technology. Strict data regulation has posed dramatic difficulties for EU businesses and AI researchers accessing necessary data. Striking a balance between regulation and innovation and a balance between security and development is a shared challenge for China, the EU, and other countries worldwide in the AI era.

**2) AI in military applications poses risks and challenges for international security.** The development and deployment of AI in weaponry and military equipment may exacerbate the arms race among countries. As competition among major powers intensifies, countries increasingly view AI as a crucial element of strategic rivalry, prioritizing its technological advancement and military applications.<sup>②</sup> There is a significant risk that, under the pressure of such competition, some countries may loosen

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<sup>①</sup> *Global AI Governance Initiative*, Third Belt and Road Forum for International Cooperation, October 19, 2023, <http://www.beltandroadforum.org/n101/2023/1019/c134-1232.html>.

<sup>②</sup> Li Chijiang, "Application of Artificial Intelligence in the Military Field and Its Global Governance", *People's Forum - Academic Frontiers*, No. 10, 2021, p. 22.

restrictions on AI-based weaponry, heightening global security threats. Aiming to boost its combat capabilities and gain a strategic edge, the US is particularly focused on advancing generative AI and actively promoting its military applications.<sup>①</sup> Presently, the EU AI Act stringently prohibits activities that leverage AI technology for deliberate activities where such use could severely infringe upon human dignity, liberty, or democratic principles. However, it does not cover AI systems specifically marketed or deployed for military, defense, or national security purposes. As early as December 2021, the *Position Paper of the People's Republic of China on Regulating Military Applications of Artificial Intelligence (AI)* calls for all parties to adhere to national or regional AI ethical guidelines and moral standards.

**3) “Digital hegemony” poses a major threat to the EU’s “digital sovereignty” and China’s “cyber sovereignty”.** Historically, the United States has leveraged its formidable advantages in digital technology and digital service trade to assert digital hegemonism globally, monopolizing the international digital market, much to the detriment of both China and the EU. American digital giants have predominantly seized The European digital market, leading to a conspicuous decline in European digital companies. This has posed a grave threat to Europe’s digital sovereignty and competitive capacity in the digital sphere. It is only recently, with the adoption of the *Digital Markets Act* and *Digital Services Act* over the past two years, that Europe has begun using regulatory measures to challenge the monopolistic stronghold of American tech firms, protect its digital interests, and reinforce the EU’s authority over its digital market. China’s digital market not only confronts monopolistic threats from American digital giants but has also endured intensive suppression through political and legal actions by both the Trump and Biden administrations against Chinese tech companies and digital services. Among these, Huawei, ZTE, and TikTok have sustained the most significant impact. China and the EU share extensive common interests in optimizing the global digital environment and fostering an equitable and orderly digital marketplace.

**4) Rapid AI development exacerbates global digital governance deficits and fragmentation.** Currently, the deficiencies in global digital governance systems are

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<sup>①</sup> Chen Ting, “Gaining Competitive Advantage: Military Applications of Generative Artificial Intelligence in the United States”, *Contemporary World*, No. 5, 2024, p. 32.

becoming increasingly pronounced, with the global digital divide continuously expanding and governance mechanisms experiencing severe fragmentation. The lack of concepts widely accepted by the international community has led to the rise of digital hegemony and protectionism.<sup>①</sup> Certain factions within Western nations are delineating ideological boundaries or establishing exclusive coalitions, substantially constraining the construction of a global AI order<sup>②</sup> and impeding China-EU cooperation in AI technological development and governance. China promotes a global governance approach based on extensive consultation, joint contribution, and shared benefits. It is willing to deepen exchanges and cooperation with Europe in areas such as digital regulation formulation, infrastructure, trade, and talent cultivation. China also seeks to enhance international cooperation and support for third parties, working together to bridge the global digital divide and address governance gaps. Its goal is to advance the development of data governance systems, including those for AI, and to move global digital governance toward a more equitable and rational trajectory.

### **3. Recommendations for Promoting China-EU Digital Cooperation**

Based on the above-detailed exposition on the current state of digital transformation in China and the EU and the divergence in digital governance ideas between them, particularly their competition in AI, the following recommendations are proposed to foster digital cooperation between the two sides.

**1) China and the EU should work together to refine their digital cooperation strategies, actively handle differences and adapt expectations, facilitate the opening of digital markets, continuously optimize the environment for fair competition, and foster new areas of growth.** In December 2023, Chinese President Xi Jinping, during his meeting with European Council President Charles Michel and European Commission President Ursula von der Leyen, emphasized that the two sides should leverage their complementary strengths in terms of market, capital, and technology to upgrade

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<sup>①</sup> Cai Cuihong and Li Yuhua, “Global Digital Governance Deficit: Manifestations, Causes, and China’s Response”, *Global Review*, No. 2, 2024, pp. 65-84.

<sup>②</sup> Lu Chuanying: “Goals, Challenges, and Chinese Solutions for Global Artificial Intelligence Governance”, *Contemporary World*, May 2024, p. 27.



traditional industries and foster emerging ones, explore new modes of cooperation, identify new areas of growth, and jointly improve industrial and supply chains.<sup>①</sup> China welcomes European companies to engage in its expanding digital economy and is open to practical discussions with the EU on various topics, including trade, investment, and industrial and supply chains, to foster new opportunities for mutual benefit in the digital sector. China and Europe need to step up discussions on cross-border data flows to deepen digital cooperation. China will vigorously urge its companies operating in the EU to comply with European digital regulations while supporting EU businesses to operate in China in line with local requirements. Both sides should be able to access each other's digital markets and share opportunities.<sup>②</sup>

**2) China and the EU should intensify bilateral high-level dialogues in the digital realm and enhance exchanges on global digital governance and AI, among other topics.** In September 2020, Chinese President Xi Jinping co-hosts a meeting via video link with German Chancellor Angela Merkel, European Council President Charles Michel, and European Commission President Ursula von der Leyen. The Chinese and EU leaders reached a consensus on establishing a high-level China-EU dialog mechanism for digital cooperation and building a China-EU digital partnership.<sup>③</sup> In September 2023, the second China-EU High-level Digital Dialogue was held in Beijing. The topics discussed included digital development policies, artificial intelligence, and cross-border data flow. Both sides recognized the broad shared interests and the strong complementary nature between China and the EU in the digital domain. They believe that enhanced exchanges will contribute to the advancement of practical digital cooperation between the two. In this regard, EU Commission Vice President Věra Jourová noted that EU-China cooperation in the digital realm had a solid foundation and promising prospects, and the EU was committed to strengthening dialogs and exchanges with China in relevant areas and deepening practical cooperation.<sup>④</sup>

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<sup>①</sup> “President Xi Jinping Meets European Council President Charles Michel and European Commission President Ursula von der Leyen”, Xinhuanet, December 7, 2023, [http://www.news.cn/politics/leaders/2023-12/07/c\\_1130013359.htm](http://www.news.cn/politics/leaders/2023-12/07/c_1130013359.htm).

<sup>②</sup> Guo Feng and Qin Yue, “Ideas and Actions of the European Union in Safeguarding Digital Sovereignty”. *Journal of Information Resources Management*, No. 4, 2022: 79.

<sup>③</sup> “China and EU Decide to Build China-EU Green Partnership and China-EU Digital Partnership”, people.cn, September 14, 2020, <http://politics.people.com.cn/n1/2020/09/14/c1024-31860996.html>.

<sup>④</sup> Zhang Guoqing and Věra Jourová Co-Chair the Second China-EU High-level Digital Dialogue,

**3) China and the EU Should Jointly call upon the international community to foster a broadly recognized international framework and standards for AI governance while fully respecting each country’s AI governance principles and practices.** In the process of AI development and governance, China and the EU should intensify information exchange and technological cooperation while avoiding the pitfalls of “pan-securitization” and “pan-politicization”. Based on mutual respect for respective sovereignties and developmental interests, both sides should promote multinational discourse on global digital governance regulations and novel mechanisms for international digital economy governance. Together, they should endeavor to construct an open, transparent, equitable, just, secure, and reliable global digital governance system.<sup>①</sup> Their cooperation would better address the unpredictable risks and multifaceted challenges that AI poses to human society, jointly promote the secure and sound development of AI, and share technological achievements in AI.

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Xinhuanet, September 18, 2023, [http://www.news.cn/politics/leaders/2023-09/18/c\\_1129869968.htm](http://www.news.cn/politics/leaders/2023-09/18/c_1129869968.htm).

<sup>①</sup> China Academy of Information and Communications Technology, *Global Digital Economy White Paper* (2023), January 2024, p. 43.



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