



Crisis Management: China's Reaction to Problems in Relations with the EU

Marcin Przychodniak

In the first half of this year, EU-China relations deteriorated for various reasons, including reciprocal sanctions and the suspension by the European Parliament (EP) of the ratification of the Comprehensive Investment Agreement (CAI). In response, the Chinese parliament adopted a law on counteracting foreign sanctions, and the foreign minister invited the heads of diplomacy of Poland, Serbia, Hungary, and Ireland to China. The Chinese communiqués on the visits stressed the support of these countries, including for the CAI and the “17+1” format. It is in the EU's interest to keep ratification of the CAI suspended and diversify supply networks, including the transfer of part of European production from China to the EU, including to Poland.

In March, the EU sanctioned Chinese politicians responsible for the repression of the Uighurs in Xinjiang, which was met with extensive retaliatory sanctions by [China](#). In May, the EP adopted a resolution that in part criticised China for violations of human rights and called for more EU cooperation with the U.S. on China. It also stated that the [CAI](#) ratification would not be possible without the Chinese lifting their own sanctions. At the same time, this year the European Commission (EC) accelerated work on expanding the EU “toolkit” for countering external threats, including from China. They include, among others, [updating the industrial strategy](#) or instruments against sanctions by third countries. EU-U.S. cooperation is also progressing, both at a high level (e.g., in the [G7](#)) and at the working level as part of the bilateral dialogue on China. During the [U.S.-EU summit](#) on 15 May this year, the parties established the Trade and Technology Council, with coordination of their policy towards China in these areas.

China's Assessment of the Situation. The decision of the EP to suspend the ratification of the CAI and the intensification of EU-U.S. cooperation are mainly significant to the Chinese authorities in internal matters. It does not fit with their rhetoric about their effectiveness and contradicts their assurances about the development of China-EU relations. Maintaining that image is essential for the authorities in the

context of the situation inside the Chinese Communist Party (CCP). Preparations are underway for the party's congress election in 2022, which means competition between party networks and the ongoing evaluation of officials, for example, in the Ministry of Foreign Affairs.

The EU's actions are also a challenge for the implementation of [China's development plans](#). According to those plans, the Union is to be a source of technology, as well as a recipient of exports of goods within production chains controlled by China. It does not want to allow the U.S. to further tighten cooperation with its partners, including the EU, seeing cooperation between them as a threat to China's interests. The conclusion of the CAI negotiations in December 2020, which were used by China in its rivalry with the U.S., [served to reduce the dimension of this European-American cooperation](#).

EU Context. In its policy towards the EU, China tries to reconcile two goals: strengthening the uncompromising image of the CCP in defence of Chinese interests and weakening transatlantic cooperation by creating divisions between the EU and the U.S. To formalise the possibility of selective punishment of other countries, on 10 June this year the Chinese parliament passed a law on counteracting foreign sanctions. It provides the authorities with the possibility of imposing retaliatory actions on people, companies, or

organisations that, in the Chinese view, violate international law or interfere in China's internal affairs. These actions can take the form of visa refusal, an entry ban, deportation, or asset freezing, among others.

The Chinese authorities are also using bilateral relations to strengthen China's image as a country ready to cooperate with the EU despite the existing disputes. This is the case, for example, with Germany, for whom China is the largest trading partner. EU-Chinese cooperation was discussed in, for example, a telephone conversation between President Xi Jinping and Chancellor Angela Merkel and in German-Chinese intergovernmental consultations in April this year, during which the parties expressed support for the CAI, among other measures. They also opposed "vaccine nationalism", which in the Chinese view is the U.S. restricting the sale of American vaccines to other countries. In mid-April, President Xi talked with the head of the German government and the president of France (the second key partner for China in the EU) about climate issues, as well as the synergy of the EU's and China's development plans. In the same group in July, Xi suggested wider international cooperation, including in the format of China, Germany, France, and African countries. Moreover, back in April, the head of China's government, Li Keqiang, persuaded the Italian prime minister to ratify the CAI. The visit of the Irish foreign minister to China in May also provided an opportunity to create an impression of deepening EU-Chinese cooperation. The Chinese version of the final statement of that meeting mentions Irish support for ratifying the CAI. Also in May, Foreign Minister Wang Yi, during a conference in Germany, expressed his will to cooperate with the EU, while in the context of the situation of the Uighurs in China, he reminded that "Europe has its own experience of genocide". China also reacted to the decisions of the June G7 summit with the EU participation, described by the top Chinese diplomat Yang Jiechi in an interview with U.S. Secretary of State Antony Blinken as "false multilateralism in favour of the interests of a small group of states".

The Role of Central Europe. China is also trying to strengthen its position in relations with the EU and the U.S. by using relations with countries in Central Europe. These are implemented both bilaterally and [under the "17+1" initiative](#). They gained additional significance after the January failure of the [summit of this initiative](#) with Xi Jinping, and Lithuania's declaration of refusal to participate in the "17+1" in May due to a critical assessment of Chinese policy, both towards the EU and in the context of human rights. At the end of May, Yang Jiechi visited Croatia and Slovenia. The leaders of those two countries spoke positively about cooperation with China, without referring, for example, to the sanctions imposed by China on the EU. Similar phrases were included in statements by the Chinese side after the visits to China in May of the ministers of foreign affairs of Poland, Hungary, and Serbia. These statements indicated not only a support for the CAI but also, for example, a positive approach towards the "17+1".

Conclusions and Perspectives. China is focused on relations with Germany and France, the largest EU economies, which are strongly related to the Chinese market, in order to create policy for the entire EU. China hopes that fear of retaliation will keep both of these countries from taking a more critical stance towards China, which then will translate into the approach of the entire EU. In that case, China would not have to give up its offensive rhetoric or sanctions against the EU, both important from an internal, CCP perspective. The will to continue cooperation with China, expressed by the German or French authorities, and the caution against sharp criticism of China, especially expressed to the U.S., confirm the immediate effectiveness of this policy. The possible maintenance of the strong economic interdependence of European countries with China will also contribute to the achievement of Chinese goals in the longer term.

China's continuing offensive policy towards the EU is mainly due to its domestic situation. The CCP will increasingly use nationalist elements and attempt to show the superiority of the Chinese system over Western democracies. This rhetoric should be read as proof of loyalty to the party, as the Chinese ambassador to France explicitly stated in an interview with the French daily *L'Opinion*. China will suggest that the easing of sanctions is possible if the EU deviates from the mechanisms of protecting the single market or limits its cooperation with the U.S. In the opinion of the Chinese authorities, such a policy, although antagonising to the EU, is effective from the point of view of the CCP's priority interests. However, the chance for the EU to meet China's expectations is small, as it would be unfavourable for the Union. The priority is to reduce the economic interdependence with China and stop the drain of technology to the Chinese side.

China's offer to Central Europe is mainly of an economic nature, although it often remains in the sphere of rhetoric. The lack of tangible effects of this cooperation will result in further marginalization of the "17+1" and China's focus on comprehensive cooperation with partners ready to support its policy, such as Hungary or Serbia. The recent visits of EU foreign ministers show China's desire to take advantage of the problems in transatlantic cooperation, including the negative assessments of Central European countries regarding the [activities of the new U.S administration](#).

It is in the interest of Poland for the EU and the U.S. to cooperate on China. It is important to improve communication in the Union regarding trade and investment policy towards China. It should take into account, for example, investment opportunities different from those of Western Europe, or the needs of Polish companies on the Chinese market. A positive effect for Poland would be support (at the EU level and in cooperation with the U.S.) for the process of transferring some production from China to the EU. Due to the long-term nature of this change, it will require the [development of technological competences](#) in the EU, as well as improvement of the economic situation after the COVID-19 pandemic.