



EU-China Hub

Interview Series



SHADA ISLAM

EU, CHINA, GEOPOLITICS -
CHANGING THE BIG PICTURE

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About

EU-CHINA HUB

We are a Brussels-based, private, non-profit initiative pushing forward dialogue on EU-China relations.

Given China's rapidly rising importance on the global stage, it is now more important than ever for EU-China relations to be better understood not only by an inner circle of professionals and enthusiasts, but also by politicians, business people, and the general public.

This is especially true as Europe struggles to embrace the complexity of its relationship with China as a partner, a competitor, and a rival.

We aim to break down this complexity in a digestible format by aggregating the key EU-China news stories and interviewing important players directly involved in EU-China relations.



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Our GUEST



SHADA ISLAM

Director of European Geopolitics at the Friends of Europe think tank and a visiting professor at the College of Europe

She has been identified by Politico as one of the most influential women in Brussels. She worked for over 20 years as the Europe-Asia correspondent for the Far Eastern Economic Review.

Since 2004 she has also worked for the European Policy Centre. She often takes the role of speaker or moderator at key EU-Asian events. A long-time proponent of European engagement with Asia and a “balanced approach in dealing with China,” she works to facilitate a space for dialogue among policy makers, experts, and business people, for open discussions on EU-China and EU-Asian relations. In a report she recently co-authored, *“Connectivity Needs a Strong Rules-Based Multilateral Framework”*, she tackles some of the topics that we discuss here.



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EU, CHINA, GEOPOLITICS: CHANGING THE BIG PICTURE

Edited by Grzegorz Stec and Michael Durgin

The following interview is based on an episode of "EU-China Podcast" produced by the EU-China Hub in Feb 2020 (before the global outbreak of COVID-19 and its impact on EU-China relations). It has been edited for length and clarity.

Grzegorz Stec: Today we're taking a look at the big geopolitical picture of EU-China relations. To start, I want to touch upon the issue of perceptions.

We recently got to see the results of the 2019 survey by the Pew Research Center, which covered public opinions about China. The results aren't encouraging for Beijing when it comes to Europe. In Western Europe at large, we can see quite a negative perception of China. In Southern and Central Europe, the results are a little bit better but, overall, China seems to have an image issue. On top of that, many European governments have grown anxious about China, over the debate that has emerged in the past year about Huawei.

What is the current perception of China in Europe?

Shada Islam: We're living in a world where geopolitical change is happening very quickly. We've been comfortable so far because the West—the US and the European Union—has been in the lead. The US has been the dominant power and a good ally for the European Union. The rest of the world, including China, have been partners that we trade with and sometimes give aid and assistance to.

But the world has changed very quickly. I call it the ABC of change. The A is the America-first policies of US President Donald Trump. This has shaken and stirred the European Union; one of our most loyal, reliable allies is no longer reliable and Europe doesn't figure very high on America's foreign policy agenda now. B is for Brexit and the shock to the European Union of such an important country leaving. And C is for China's quick and transformative rise, which has shaken our perceptions of the West being in the lead on the geopolitical, societal, economic, and cultural landscapes. I'm not surprised that people are fearful, especially Western Europeans. They had become very comfortable in their position as good allies of the United States.

Now we have China rising very quickly from being underdeveloped—let's be very blunt, a very poor country. In the last 35 years it has become a mega-important world power. It challenges our vision of ourselves as a geopolitical power, on trade, on the climate crisis, and as aid donors. Suddenly, China has really shaken the system and its rapid emergence has made countries reconsider themselves. When you're in a period of transition, you are fragile, and that's the position at the moment for the West.

China challenges us on our identity, but I am old enough to remember when Japan, thirty years ago, did exactly the same thing. I remember writing similar stories for the Far Eastern Economic Review about the rise of Japan. The Americans and Europeans were very worried and concerned. Japan was challenging us, sending us their exports. We had a very high trade deficit with Japan. Every time a rising power comes onto the stage, status quo powers are fearful. They convey that anxiety to their citizens.

There's now a very simple one-dimensional narrative about China in many parts of Europe. The younger generation is less apt to blindly follow it, but a lot of people believe that China really is the adversary, an ideological enemy that we have to confront. And that is the reason that perceptions of China in some parts of Europe are very negative: they see China as a real, systemic rival—as the European Union has called it in one [paper](#)—to what Europe and the Western system stands for.

GS: Which aspects of China's activity make Brussels feel challenged at the moment?

SI: There are four areas where China is challenging us. Obviously, trade. The European Union, taking the bigger picture and the longer view, was very instrumental in ensuring that China join the World Trade Organization in 2001. The European Commissioner for Trade, Pascal Lamy, played an important role in encouraging, incentivising, and pushing China to join the WTO. The stories often say America did it but actually Europe was very instrumental. China became a member, took on many obligations, and benefited from membership. But so did Europe. China is a huge market. European companies are making money and have been investing and exporting to China. Now we are concerned because we feel that some of the restrictions that had been lifted and the momentum on promises that were made about liberalisation of markets and of investments have recently slowed down.

China has its domestic reasons for not going as fast now as it had said it would, but that is creating a lot of anxiety, anger, and frustration among European businesses. The recent long [report by Business Europe](#) identifies very thoroughly the different obstacles, impediments, and restrictions that they feel are preventing European businesses from

being as successful as they could be if restrictions were lifted. This is the power of state-owned enterprises, industrial subsidies, and weak intellectual property rights protection. So, one challenge is access to Chinese markets.

China has also become a rival for Europe in technology. European technological power is quite limited, without big super companies like the Americans or the Chinese. That makes us very fragile in our view of China's technological power, especially when we think that some of our ethical values are not being respected. So, there's a trade or tech aspect.

Then there's the Belt and Road Initiative, linking not only Europe and China but also other parts of the world. We always thought that Europeans were privileged partners of Africa. And then we found out, especially in the last ten years, that China has made great inroads there.

The final challenge is ideological. China has state-run capitalism with the Communist Party in charge. We feel that our liberal values and views of human rights are not being respected.

Now we are feeling the difference which we had overlooked because it was such a golden opportunity. China was a good student on trade. Now we're seeing that it is a mature country with leadership that has put China first. That's impacting our perceptions and the narrative we have on China.

GS: I want to ask you about the narratives, the stories. I enjoyed one of your pieces from last year, in which you argued that the EU needs to avoid “clinging to outdated single narratives that keep us within our old comfort zones, but are disconnected from the realities of today's complicated world.”

So, what are the stories in relation to China that we have to abandon and what are the new stories that we still have to develop?

SI: One of the challenges that we face at the moment is because of the ABC. We are under pressure from both America and China to side with one or the other, a binary choice. The real challenge we face today is to develop our own strategy towards China, reflecting European values and European interests, very different from the American perception.

For America, this is an ideological, even civilisational competition. It's a trade war and a tech war. In some ways, it's America's new Cold War. China is definitely a different challenge to America than it is to us. We are not a superpower and have no ambitions of

becoming one. Our military is not that developed. We do not share frontiers or borders with China. America doesn't either, but it sees itself as an Asian Pacific power which we are not. So, our security narrative when it comes to China is very different.

China also increasingly feels that either you're with the Americans in this trade war/tech war or you should be with China. This is very naive and misunderstands what Europe is about. We have to move outside our comfort zone; it's no longer possible for us to align ourselves closely with America's interest. We have to find our own interests. We also have to be very clear that in many ways we compete and cooperate with China. There are areas where we can agree, and others where we will disagree. Moving outside of that comfort zone means we can no longer look at China as the power it was thirty years ago when we helped bring it into the WTO, when we saw only opportunities. China was a different place then. We have to understand that we will have to think strategically on our own in this geopolitical landscape about where we can compete, where we can cooperate, where we can diverge, and where we can converge. We have to find our own story, our own interests.

GS: So, in relation to shaping our own story, I want to bring back the document that you already mentioned: The joint communication [EU-China - A Strategic Outlook](#) from March 2019. I think it was an attempt to shape the fundamentals for a more mature, complex relationship with China. China was defined as a cooperation partner, a negotiating partner, an economic competitor, and, importantly, also a systemic rival in terms of models of governance.

It's been ten months now since the release of this joint statement. Do you feel that it brought about any change to the quality of EU-China relations? Do you see a new model or strategy being developed around it? Or was it just a one-time diplomatic tactic that was deployed ahead of the EU-China summit last year?

SI: I think there is a bit of both. I think it was a tactic at a time when America-first policies were coming out and there were discussions about Huawei and trade, tariffs, and investments. It was a sign that Europe was no longer looking at China from just one angle—as a market only—but also saw it as a competitor. So it was a signal of one of the things Europeans feel: that sometimes China and the United States look at each other and understand each other. China pays a lot of attention to what the United States is doing and tends to underestimate Europe. That tendency in China frustrates and angers the European Union very much. So, in last year's new geopolitical landscape, Europe was making its voice heard, hoping that China would wake up to Europe as well.

Up until this paper came out, the European Union had always come up with long documents, laundry lists, a Christmas tree hanging with many things that China had to do. This was the first time that an EU paper was really strategic, with real geopolitical thinking. It looked at the day after tomorrow for a series of areas and sectors. It was a really good attempt to voice a new, woken-up Europe. But it reflected the reality of Europe. because we don't all speak with one voice and that is not going to change. It reflects that we do cooperate, that we need China for the climate emergency, to talk about Agenda 2030, and about North Korea.

China is a member of the UN Security Council, a big power with globally engaged peacekeeping forces and a mobilised foreign ministry. We *have* to work with them—we cannot *not* work with them—but we also compete with them. It reflects the reality of the world, and our relationship not just with China but with other major countries. The new world order has more than one dominant power.

The Americans are obsessed with China, right? It's their story. Europe shouldn't be obsessed. We need to also work, as we are, with Japan, Korea, and India. We need to be focused on Africa. Let China and the US work out their love/hate relationship. (It is love/hate, right?) Our relationship with China should be separate, based on our interests and values, and on the fact that they are not our only partner in Asia.

GS: In relation to that, how successful, in your view, has the EU been in shaping this united voice, this common approach towards China?

SI: Frankly, not very successful. And I think most Europeans understand and recognise that it's very difficult for the European Union to deal with a huge country like China or Russia. That's not unusual. That is the human folly. How can countries like Hungary, Greece, Italy, and Spain all have the same relationship with China?

We cannot speak with one voice but we can and do have some basic issues that we all rally around, *our* issues. Some of those have to do with BRI, rules on transparency, on sustainability, and on fiscal behavior.

People say China's dividing us and China's putting pressure on Europe. When it invests in a country, it makes sure that country doesn't vote against it on human rights or similar issues. The thing is—everyone does that. Look at the United States and Iran: America put pressure on the European Union over Iran through the trade agreement. This is unfortunately what the world is about. China is not doing anything differently from what any country that has great power aspirations does.

But we're not used to seeing China in this way.

We need to change our perceptions of China and to stop lecturing all the time, but also to use our own strengths. We have many and we're developing even more: investment screening, to make sure that we know what's coming in; industrial policy; having our own technology companies but also working together. Maybe we will work with Huawei on 5G, maybe we won't; it depends on our assessment of the risks. It will be case by case, but we have to deal with the China of today, a great power that will open or shut down its markets when it wants to. Being competitive is back on the agenda, as is having a green deal on climate change in place. We have a template from which we can deal with other countries, in addition to China.

GS: So it seems you're saying that both sides have to grow up and treat each other in a more mature way.

SI: Yes, and protectionism or decoupling, as the Americans are trying to do, is not the answer. We've heard the European Union saying so very openly; Angela Merkel recently said this in an interview with a leading newspaper. Isolating China is not the answer. We now have to deal with both countries that are like-minded and those that are different. There are so many global challenges that need to be met by countries with which we may not agree. We *have* to work with them. This maturity obliges us to work together, if we are to work on issues to do with the climate crisis, digital ethics, Agenda 2030. Maybe China is not a natural partner on these issues, but we have to work with everyone.

GS: Do you think that 2020 is going to be a year of change? We have a pretty impressive lineup coming this year. The EU-China summit got moved to the end of March, so that it precedes the 17+1 Summit in Beijing [*Following the outbreak of COVID-19 in China and in Europe, the dates of both summits were postponed*]. We also have the Leipzig Summit during the German presidency, EU 27 plus Xi Jinping. There is a lot of buzz how big this year is going to be for EU-China relations. What's your take? Is it going to be a year when things change or will it be the same things in a new package?

SI: This year we will have a more realistic assessment of each other. There's new leadership in the European Union so the Chinese leadership has to get to know, assess, evaluate, and create links with these EU leaders. What does the "Geopolitical Commission" that Ursula von der Leyen keeps talking about mean? The European Union wants tangible progress and perhaps even the conclusion of a bilateral investment treaty, which is so dear to European hearts.

If that is done, that would send a signal that China also wants to trade, to make and clinch agreements with the European Union, that its eyes are not just focused on the United States as an important partner. The EU's decision to have these high level meetings are a signal that this relationship is alive and kicking, that we are not being tempted into the binary choice. We're keeping our options open and the relationship between China and Europe is an important one in terms of trade, geopolitics, and geoeconomics. But it's also a realistic assessment of what we stand for and what we can do.

We used to believe that we *could* change China under the rather naive perception that China *would* change under pressure from the West, including the European Union. We now know that's not happening. But the danger is that China could change *us*. It's very important that we reinforce ourselves vis-a-vis China. But we shouldn't turn into a protectionist and restrictive market.

GS: Of course, first we have to start at home. But I also want to ask you about the Leipzig Summit that is scheduled for later this year. What do you think we can expect from this summit and what is the idea behind it?

SI: I don't know what the Germans want from it. Angela Merkel has put a lot of effort into Germany's special relationship with China. They've been meeting regularly on a very high level, cabinet to cabinet. And now Merkel is on her way out. This is possibly the last summit that she will be organising or chairing.

One message is that China is still an important partnership to take forward. But there will also be requests and demands from China. The Chinese should consider very carefully what they come with, because there is a lot of fatigue in Europe. We want concrete evidence on trade, on investments; that Europe matters. It's important that industry in Germany still has that market access, but we're getting quite frustrated with the slow pace of change and reform.

A lot could happen between now and Leipzig; let's see what the year brings. Of course, how the US-China relationship evolves will impact very much how Europe evolves with China.

GS: Changing the relationship and developing new narratives, of course, requires discussion and dialogue. You've been working on providing the space for frank and open discussion on EU-China relations, including among policy makers. With all of the anxiety and feeling challenged on the European side, has it become harder to foster and facilitate dialogue with China?

SI: No, not harder. Think tanks provide the space for Track Two discussion. Our ambition is to air differences but to find areas of common ground as well. As a think tank, we are not adopting a stance for or against China. We see both China and Europe with their good points and their negative points. The idea is to foster frank and free discussion.

There is originality in our approach: we bring both policy makers and businesses into the conversation. It's not just think tank to think tank, which often doesn't lead to any real impact, but a place where people can and do actually have robust discussions. Nobody minces their words. We provide a space for people to come and discuss things that they cannot perhaps do in other environments. Policy makers may not be able to do that as frankly as they can in the common space that we provide.

When there's anxiety and fear, that's the time when think tanks like ours should come into play. Our idea is not to create more rifts or divisions, but to be honest and try to bring people to understand each other's positions. Not to change their positions—that won't happen overnight—but at least to understand where the other person is coming from. Some of these discussions lead to some really interesting joint agreements or understandings and, if we don't agree, at least we talk about it.

One area where we can take the conversation forward in a very constructive way is on the Belt and Road Initiative and on connectivity. We've launched our own ideas on multilateralising connectivity, with a multilateral code of conduct based on very important rules: sustainability, transparency, and fiscality, which the European Union is very good at. The Chinese have told us Europe does rulemaking very well and they say, very openly: "We are not rule makers. So far we've been rule takers. So come with your ideas and maybe we can work together." I'm really proud of what we're doing on connectivity, bringing different people together. If we can have a multilateral understanding, if bankers, policy makers, business leaders, and think tankers can get together and agree that connectivity is a worthy common public good, then we can try to make sure that it actually works for humanity. I'm really proud of this initiative.

But it's not the only one. Belt and Road is well known, but the Japanese have their own initiative, as does ASEAN—the Southeast Asian countries—, as do India and Russia. It's a global project, but it's disparate. Everyone's doing their own thing. Some talk about connectivity competition or conflicts. Our idea is: "No. Connectivity *cooperation*." So we get everything right for people because, in the end, it's all about what you do for the people.

GS: Can you maybe give us a couple of tips, best practices on how to best facilitate this kind of effective dialogue?

SI: One thing is to have diversity around the table. Make sure that you're not only inviting those who are critical or negative about China, but also those who are positive. Try to bring different points of view. Bring in policy makers and private-sector NGOs. Get as many opinions around the table as you can so people can really talk to each other.

Also, be credible and don't go in with an agenda that says "I'm a China basher" or "I'm a China friend." We are balanced. We look at the good and the bad and the ugly. And we try to harmonise and come up with some positions and recommendations even if they're very small.

Show that it is possible in today's world, where we are so divided, to at least talk to each other. I'm not sure that Track Two is an important component of think tankers in the Western world but in Asia Track Two is a very important part of how people talk to each other. Governments may not be talking to each other, but the think tanks are. So even in the worst of moments, Japan and China have Track Two. Korea and China and Japan have Track Three: people in three countries involved. Track Two or Track One and a Half are very essential, behind-the-scenes ways of keeping channels of communication open on issues that can't be talked about in an open space, to create understanding. Think tanks like ours can offer a place where people can come together, have a frank exchange of opinion, and agree or disagree, but with respect for each other.

That's why I'm quite proud of what Friends of Europe is able to do with its Asia program. We're trying to replicate that with other regions as well.

GS: As we're slowly moving closer to the end of our conversation. I also wanted to ask you about recommendations that you might have for us in terms of materials that capture particularly well the essence of the EU-China relationship. Is there anything specific that you think can help us understand EU-China relations better?

SI: When you're looking or reading about EU-China relations, just be sure about where an opinion is coming from: Who's the source? Are we just constantly talking about the same one-dimensional narrative, that everything China does is bad or negative, against the interests of America or Europe?

China has its own trajectory. China will do things in its own way. We should give up trying to change it. We should be vigilant and know what China is doing; there's a lot of good work being done in tracking China. But we are constantly judging them from an us-vs-them perspective, which tends to put Europe or Western thought and systems on a higher pedestal than what's happening in the rest of the world.

That's not just about China. It used to be the case for Japan as well. It's going to be the case when it comes to dealing with India also.

Countries have their own dynamics, their own histories, and their own futures to determine. What we can do is work with them for the common good. We can't come forward in today's world, where everything is so interconnected, and either isolate them because we don't agree with them or engage with them unconditionally.

GS: In relation to that, do you think that we're observing now in Europe this kind of discussion on China, where people get classified as either China bashers or overly close China friends? Do you think that we're observing this kind of polarisation?

SI: Polarisation is there, but it's not between friends of China and foes of China. It's between those who think that everything China does is negative, or only report on the negative side of China, and those who think it's right to be more balanced. Maybe there are a few unconditional friends of China. Most of us, however, are just trying to be more balanced, seeing the good, the bad, and the ugly. Whereas there are some who will see only the bad and the ugly. That's the difference.

There is some consensus that to be really important you have to be a China hawk; it's difficult not to be in today's world. But there are some very balanced people in America and in Europe who believe in critical, conditional engagement, not decoupling. Let's be strong, self-confident, and assertive enough to mark our interests and then discuss them. Turning our back on one of the world's most successful economies is not an option. There's a difference between the US's changing point of view and the Europeans, who say: "Let's engage but not uncritically. Let's have a conversation. Let's make our points, and then let's work when we can. And let's compete where we have to."

GS: Shada, we covered a lot of ground in this conversation. What key takeaways should we keep in mind in 2020, probably a very important year in EU-China relations?

SI: In this new decade, countries are going to be competing with each other. As Europeans we need to make sure it's cooperative competition. Will it be benign and constructive or destructive and confrontational? Europe can play a leadership role in ensuring that the geopolitical and geoeconomic competition is benign; that we work together when needed. So, we compete but we also cooperate.

My great concern, as we move into this decade, is that we could have one world but two systems. Let's not divide the world into the liberal model and the illiberal model.

Europe can offer a space for countries that do not want to fall into that trap to come together. Across the world, every single policy maker or business leader I meet says to me: “We do not want to be a friend of China or a foe of the United States, or the other way around. We do not want to make choices. We need both and we need Europe.”

For me, that is the way forward: Europe being very much a part of the discussion and not allowing the world to fragment or splinter into two confrontational blocks. Humanity would suffer very much if that happened.





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