

The EU's new China strategy: Trumpism à la Bruxelles?

Blog post by Practice Lead Daniel Capparelli, 3 May 2019

Viewed from Brussels, April 2019 marks an inflection point in the EU's strategic approach to China. By all accounts, EU institutions and member states managed to display unprecedented unity in protracted and difficult negotiations with Beijing ahead of the EU-China summit, confounding expectations to secure a set of important Chinese commitments towards a more reciprocal and balanced bilateral trade and investment relationship.

Officials in Brussels were quick to trace this outcome to the hardening EU stance on China and its new-found resolve to act unilaterally to defend and protect EU economic interests from unfair Chinese competition in the absence of compromise solutions. This new approach is fleshed out in the [European Commission's new China strategy communication](#), strategically published in March ahead of the summit.

This greater EU assertiveness is built on two key planks. The first is achieving and projecting a united EU front on China. Lack of unity has long been an important problem for the EU, allowing Beijing to adopt a 'divide and conquer' strategy in the council to block or water down EU initiatives it does not like. The document attempts to address this by rallying member states around a stark diagnostic of the causes of the relationship's imbalances and a set of actionable policy responses, mostly related to China's services market access, intellectual property protection and industrial subsidies regimes.

The second, and much more challenging, is converting political commitments into hard, bankable concessions, preferably embedded in binding agreements such as the EU-China bilateral investment agreement (IBA) currently under negotiation, or at the WTO.

To achieve this, the strategy recognises the need for ratcheting up EU negotiating leverage. For all its cautioning on the dangers posed by Washington's disruptive unilateral tariff adventurism for the global rules-based trading system, a growing number of EU trade officials have come to privately recognise its effectiveness so far in bringing Beijing to the negotiating table and focussing the minds of Chinese.

Instead of tariffs, however, the EU's strategy is focussed on policy grey areas not blatantly in breach of WTO rules. While this makes it far less radical than Washington's approach, the objective here is the same: develop a broad-based 'domestic' policy pipeline implicitly designed to raise perceived costs of no agreement for Beijing should it fail to engage on finding compromise solutions. This includes initiatives such as the EU's recently concluded new investment screening mechanism, the commission's recent guidelines on foreign participation in 5G network contracts, and potential resurrection of [the commission's International Procurement Instrument](#) proposal on reciprocal access to EU public procurement markets.

Both the commission and the council have described the successful outcome of the EU-China summit as a direct consequence of this growing EU assertiveness. Taken at face value, Chinese commitments cover most EU interest areas, including pledges to finalise its long-delayed accession to the WTO Government Procurement Agreement; an endorsement of EU proposals on WTO reform, including on industrial subsidies disciplines; and a commitment to wrap up the EU-China BIA negotiations by early 2020.

While the summit's outcome is unquestionably positive, there are reasons for not embracing Brussels's optimistic assessment just as yet. For one, Beijing's commitments are mostly focused on 'process' - i.e. pledges to engage in negotiations - rather than on substantive policy changes. Many also simply reiterate past promises. The conversion of these commitments into hard concessions through negotiations will inevitably put the EU fragile unity to test, especially where the strategic interests of member states diverge if pushed to make use of the EU's new acquired leverage.

In practice, the success of this new strategy over the next year will prove hard to gauge. Process commitments are not substantive victories. The broad-based overlap of EU interests with Washington's also allows Beijing to repackage concessions offered in its ongoing trade talks with the US as concessions to the EU. This is particularly the case of structural policy changes around intellectual property protection and forced technology transfers, which Beijing would have little interest in not extending to other trade partners.