



A Grand Bargain Can Bridge Any East-West Divide on China

By Daniel Hegedüs

Rearranging its relationship toward China is one of the most crucial geostrategic challenges the European Union faces. However, despite their unanimous support of the EU's China Strategy published last March, member states are still fairly divided on the desired approach to Beijing. While French President Emmanuel Macron strongly advocates the EU's information and technological sovereignty, countries like Greece, Hungary, and Italy are enthusiastic supporters of China's geostrategic Belt and Road Initiative (BRI) and hope that they will be rewarded with lucrative investment and trade opportunities in return. Others, like Poland, carefully navigate the stormy waters between security cooperation with the United States and the development of economic ties to China.

West European policymakers have criticized the 17+1 cooperation format China has established with Central, Eastern, and Southeast European countries for sowing division within the EU and NATO. However, since Italy signed up to the BRI last March it has been obvious that the main conflict lines of EU China policy do not reflect an East-West divide. Instead there is a mosaic of diverging approaches among member states, and membership in 17+1 is by far not the most important factor.

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As a flagship project of its presidency of the Council of the EU in the second half of this year, Germany set itself the very ambitious goal of uniting the diverging approaches to China. Although very little is known so far about the substance of the initiative, except for the planned EU-China summit in Leipzig in September, it is clear that a coordinated China policy cannot simply aggregate member states' national interests. A council "give and take" compromise will lead nowhere. A true EU-level vision is needed—one that is broad and ambitious enough that the member states can line up behind it. There are six steps in which a European grand bargain on and with China can be forged.



Low-hanging Fruit First

EU member states first should try to coordinate their own economic expansion to China, rather than dealing with the divisive topic of China's expansion to Europe. Instead of trying to crack the hard-nut issues, like 5G and investment screening, a strategy could start with the low-hanging fruit in policy areas where coordination can be perceived as a positive sum game within the EU. A coordinated approach toward Chinese regulatory barriers—which would foster market access for European exporters and investors—could hardly be opposed even by the most pro-Beijing governments.

The recent African swine fever epidemic in China demonstrated that relying on bilateral agreements on agricultural exports and veterinary rules deprived European farmers of significant export opportunities (as several member states did not have any agreement with China) at a time when the Chinese market would have been able to absorb a practically unlimited amount of European pork exports. EU governments might also be more ready to abandon the “holy cow” of national food security export regulations as well. EU coordination should start in practical areas where its added value clearly exceeds its costs. If the exercise is successful, the cooperation can spillover to other areas as well.

Demonstrating EU Geopolitical Ambition

The above approach would be only a “warming-up” phase rather than the main goal of a coordinated China policy for the EU. As the union lacks the appropriate resources and agenda-setting capability to launch any geostrategic initiative on a par with the Chinese ones, forging a common approach to the BRI might be the only feasible option.

The EU has two options: it can oppose and delay Chinese BRI connectivity projects (as it already has with the notorious Belgrade-Budapest railway) or it can embrace and co-shape them. A grand bargain—among member-states and then with China—on the BRI would offer the EU a say in project planning and selection, would integrate the connectivity structures in the European transportation network, and could grant European financing to the projects and offer European companies valuable work orders. This would be also much preferred by China in comparison to the uncertain and delayed realization of its connectivity projects. Such a grand bargain would shield EU member states from questionable Chinese loans that often result in debt traps. It would also largely remove the opportunity for any special, and potentially divisive, bilateral BRI deals.

The grand bargain could also include real geopolitical clauses. In exchange for embracing the BRI and turning it to a common Chinese-European initiative, the EU could demand the delineation of geopolitical spheres of influence, especially with regard to the Middle East and North Africa, limiting China's military presence to the current status quo, based on a “no Chinese military North of Djibouti” formula.

Containing other Geopolitical Challengers

Russia would inevitably be included in such a grand bargain, given the Eurasian land route and train connections and the Arctic route. This would result in growing European dependency on Russia, but it would also mean the partial pacification of the Eurasian giant. Assuming that for China the geo-economic importance of strategic cooperation with the EU far exceeds the importance of security cooperation with Russia, the Kremlin could find itself under dual pressure if any of its actions endanger the smooth operations of the transit routes between

the European and Chinese poles of the BRI. Thus, the grand bargain could significantly reduce Russia's disruptive capabilities, especially if security-related geopolitical factors are also considered during the planning and realization of the connectivity axes; for example, if they result in their extension to Ukraine.

Hollowing out the 17+1

A grand bargain between the EU and China would significantly decrease China's ability and appetite to invest in parallel structures and exert bilateral influence over member states. As the 17+1 format does not provide any opportunity for coordination among the 17 European participants, it can be considered as a stage for advertising 17 bilateral relations with China. Hence a strategic deal with China could be the first important step to hollow out this symbol of European division on China. Furthermore, the EU should reach out to the Western Balkan participants in the 17+1 format and integrate them in the planning phase of the connectivity structures with China. That would not only extend the union's influence over the implementation of BRI projects in the region and ensure that its standards are applied, it would also have great symbolic importance by demonstrating EU interest in and commitment to the Western Balkans. This could partially counter the current loss of credibility of the enlargement process.

Embrace Systemic Rivalry

In order to maintain balance in EU foreign policy, geo-economic rapprochement should be matched with embracing systemic rivalry, as already envisaged in the China strategy. Criticizing China's illegal sea-grab policy in the South China Sea and its horrific human-rights record in Xinjiang, as well as investing heavily in technological sovereignty would also be important in order to mitigate the heavy U.S. criticism that would be expected after a grand bargain with China. To have more leverage on Beijing, the EU should invest considerable resources to deepen economic, political, and security cooperation with India, Japan, and South Korea, with a special emphasis on freedom of navigation, parallel to a deal on the BRI.

A Role for Germany

Until Germany settles the issue of 5G at domestic level, it is very unlikely that it could be able to drive a common EU position on China. However, if the parliament and the anti-Huawei lobby succeed in convincing the government to exclude the company from Germany's 5G infrastructure, this could create such a critical momentum in European politics that most Central European member states would follow suit. (Hungary might be the exception, with its government deciding in favor of Huawei last November.) Such a development could lay the cornerstone of a potential enhanced cooperation on 5G in the EU while the remaining outsiders could be "sanctioned" by limiting intelligence cooperation and the allocation of European research and development funds intended to boost the EU's technological sovereignty.

Germany's political elite has to bear in mind that the decision on Chinese 5G providers will have far-reaching consequences for the EU's technological sovereignty. The right decision could help German diplomacy in finding an EU consensus on China. Developing a coordinated EU China policy requires vision, planning, and incredible amount of diplomatic legwork—first among the member states. It is to be seen whether Germany's presidency of the Council of the EU in the second half of this year will be at least partially able to deliver on these expectations.

Transatlantic Take

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