**EU’s ‘Strategic’ Paper Its Latest Attempt To Enforce Unity Among Members In Dealings With China**

The yet-to-be resolved trade war between the United States and China has dominated the headlines and the financial markets’ consciousness for the past year, making it easy to forget there is another large economy that also has ongoing issues with Beijing – the European Union.

But while the Trump administration leveraged punitive import duties to force China to the negotiating table, the EU appears to be giving diplomacy a go in shaping the future relationship with its second largest trading partner.

Ahead of the April 4 EU-China summit, the European Commission published [a paper](https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf) staking out its position on how to reshape economic links between both sides. The paper will be presented to EU heads of state later this month, and includes actions the Commission wants EU leaders and the European Parliament to pursue in engaging with China.

This comes on the back of what has been a disjointed approach so far to Europe’s dealings with the world’s second largest economy. On the one hand you have regional powerhouse Germany who, like the U.S., is wary of Chinese acquisitions or investments in key sectors of its economy, and has been quick to [veto deals](https://www.axios.com/germany-china-manufacturing-acquisition-national-security-380cbf15-b011-498a-b214-02d4226dc470.html) it views as national security risks.

Then you have countries like [Portugal](https://www.scmp.com/news/china/diplomacy/article/2176560/portugal-wavers-xi-jinping-presses-europe-belt-and-road), who is eager to attract foreign direct investment from China to boost an economy still recovering from the wounds inflicted by the 2012 eurozone debt crisis.

Acknowledging this reality, the paper warns that neither the EU nor any of its members will effectively achieve their aims with China without “full unity,” and that any agreements reached must remain consistent with EU rules and policies.

In recognition of the “unprecedented scale and speed” of China’s growing economic power and political clout, the EU Commission declares that China can no longer be viewed as a developing country, but a “key global actor and leading technological power.”

“Its increasing presence in the world, including in Europe, should be accompanied by greater responsibilities for upholding the rules-based international order, as well as greater reciprocity, non-discrimination, and openness of its system,” the paper argues.

The call for fair treatment and increased market access for European companies echoes [demands](https://www.whitehouse.gov/briefings-statements/statement-press-secretary-regarding-china-talks/) made by the U.S. in its talks with China, underscoring how President Trump’s preference for a ‘go it alone’ strategy should be viewed as a missed opportunity to team-up with the EU and exert even greater pressure on China.

Of the ten actions listed in the paper for European leaders to endorse, several cover economic and investment activity that could have broader ramifications. On the issue of reciprocal trade and a balanced relationship, for instance, the EU accuses China of becoming a strategic competitor “while failing to reciprocate market access and maintain a level playing field” – especially in financial services.

Both sides have been locked in negotiations over a ‘[Comprehensive Agreement on Investment](http://trade.ec.europa.eu/doclib/press/index.cfm?id=1435)’ since 2013, which is intended to resolve issues like the above, provide legal certainty, and facilitate a greater investment flow between both parties. The EU Commission expects “substantial progress” in the negotiations this year, with the goal of concluding an agreement in 2020.

But it is clear the EU wants to adopt a tougher stance in dealing with China, not just relying on multilateral discussions and one-on-one talks. To achieve more balance in the relationship, the paper also advocates the use of “recently modernised and strengthened trade defence instruments” – [anti-dumping and anti-subsidy regulations](http://ec.europa.eu/trade/policy/accessing-markets/trade-defence/) developed to protect European businesses from the harmful effects of non-EU imports flooding the market.

The Commission is also urging the European Parliament and EU Council to quickly adopt updated rules on export control, arguing it will boost the ability of customs authorities to halt the exports of key technologies, while also screening FDI in critical assets, technologies and infrastructure to identify security risks.

Once again – notice the recurring theme here – this matches the main conclusion from a [report](https://www.uscc.gov/sites/default/files/Research/US-China%20Biotech%20Report.pdf) last month by the U.S.-China Economic and Security Review Commission, a group created by Congress in 2000 to monitor the national security implications of the relationship between the United States and China. The report, focused on the development of China’s biotech sector, said the US needs to address concerns arising from China’s current government policy moves, “including better screening of investment and other engagements for potential national security risks and the protection of sensitive data.”

The EU’s relationship with China is a complex one, with the Commission noting both sides sometimes closely aligned with similar goals, but are also economic competitors – particularly in the advanced technology sector, as well as rivals with diametrically opposed political systems.

“The EU will use links across different policy areas and sectors to exert more leverage for its objectives. Both, the EU and its Member States can achieve their aims concerning China only in full unity,” the report concludes.