
CHINA: DANGEROUS RIVAL OR COOPERATION PARTNER?

HOW CAN EU-CHINA RELATIONS
DEVELOP IN A CHANGING WORLD
WITH GEOPOLITICAL CONFLICTS?

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European Parliament

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TABLE OF CONTENTS

Introduction	7
1 Major narratives about China	11
2 First impressions of China	13
3 The long shadows of history	17
4 What characterises modern China today?	25
5 From the world's workbench to a technology and innovation centre	55
6 China's new economic model and ecological civilisation	61
7 The conquest of international markets	77
8 China's geopolitical position	85
9 China's soft power	91
10 Taiwan: an unresolved historical legacy	97
11 The US-China struggle for dominance	107
12 Human rights in a time of geopolitical conflict	117
13 Alliance of democracies against China?	123

14 Is globalisation coming to an end and will it be replaced by isolationism and renationalisation?	125
15 The Chinese-Russian friendship	129
16 Europe in a changing world	133
17 A values-oriented EU foreign policy	137
18 The EU at the crossroads: transatlantic allegiance or European sovereignty?	141
19 EU-China political and economic relations	145
20 Conclusions and recommendations	151
Bibliography	159
Abbreviations	163
About the author	165

Introduction

The People's Republic of China is, after India, the most populous country in the world and a proud ancient civilisation. Since its opening up in 1979, it has been the growth engine of the world economy and meanwhile also one of Europe's largest trading partners. For many European companies, this is one of their most important markets. But the positive assessment of China that focused on its economic advantages has changed. Even the centuries-old appreciation of its high culture, with the finest porcelain, Chinese silk, beautiful fabrics and tea, by the Western middle classes no longer plays a role in the reputation of the communist People's Republic. In the US, the country is seen, across party lines, as an adversary that endangers an American-dominated international order and threatens the US's position as leading world power. Democracies are being called upon to stand shoulder to shoulder against an authoritarian state.

The European Union has defined China not only as a partner and competitor, but also as a systemic rival. Derisking from China has become the official policy line of the EU and its member states.

On one hand, China is needed to solve global problems. The fight against climate change will be impossible without China's cooperation. Chinese investments play an indispensable role in Africa's development. On the other hand, there is the danger of an ideological confrontation, a technology war that results in containment and thus makes successful cooperation impossible. Even military conflict over Taiwan is conceivable.

With Putin's invasion of Ukraine, war returned to Europe as an instrument for enforcing political interests. The People's Republic is a strategic partner of Russia, conducts joint military manoeuvres, and cooperates in security policy. Increased economic exchanges with China have enabled Russia to withstand Western sanctions. Beijing is now the key supplier of industrial and consumer goods. Can the EU's close economic relations with China continue under these conditions?

How should Europe relate to this country, a world power with increasing influence that shapes the international economy; a society that is changing profoundly and still seeking its destiny?

But do we know enough about China: its people, its history, its politics, its economy, its strategies, and its ideas for the future?

This book is intended to enable readers to see beyond the headlines and take a deeper understanding of China's multi-layered and contradictory society: developing country and affluent society; traditional agriculture and high-tech location; socialism and market economy; cosmopolitan and nationalist. It may serve as an invitation to engage with China's historical and political self-understanding, its profound transformation and its ambitions. It will outline the ideas and perceptions of Chinese interlocutors about modern China. Foreign entrepreneurs working in China for years will also have their say. The following pages partly reflect my experiences in China over the past 15 years in various capacities: as a European official in government meetings, as a member of a Chinese environmental organisation, and as a university lecturer. I also had the opportunity to study China's development at the HSBC Business School at the state-run Peking University in dynamic Shenzhen, with Chinese and international students, and colleagues from Asia, America, Africa and Europe. In this book, I would like to share some of these exciting discussions.

Reflection on China challenges our self-conception and traditional ways of thinking. Therefore, it is also necessary to consider the place of European countries and the European Union in a changed international and economic environment. The gravity of the world economy has shifted towards Asia. New international organisations and financial institutions, such as the BRICS cooperation and the AIIB, are gaining influence and economic importance, with China as the driving force behind them. Climate change is an existential threat to humanity demanding a fundamental adjustment of our economic system. This will be achievable only with global cooperation. Many of our historically developed ideas, whether regarding politics, economics or culture, no longer fit a world in upheaval. European societies with memories of a great past must define their role anew in a multipolar world in transition, fraught with geopolitical conflicts and tough international competition. For relatively small European countries, this will be possible only within the framework

of a European strategy and if the relationship with the United States, the traditional military protector, is clarified.

1 | Major narratives about China

Behavioural economist and Nobel laureate Robert Shiller has shown the importance of storytelling or narratives in understanding the real world.¹ He has explained that narratives combining facts with emotions can influence human behaviour and shape societal and economic developments and political decisions. If narratives that distort objective facts become the dominant public belief this can cause real harm to the economy and society. Shiller calls this a 'thought virus'; it can also be described as a 'narrative trap'. The rise of social media, with its attention-based business model, geopolitical changes and the technological transformation of our societies all contribute to the polarisation of views, exacerbating discontent and fears. In this changing world, even experienced decision-makers in business and politics can fall into narrative traps distorting facts and developments.

There are two dominant narratives about China. In 2021 the US Congress stated:

China will put at risk the ability of the United States to secure its national interests; and will put at risk the future peace, prosperity, and freedom of the international community in the coming decades.²

In its Historical Resolution about China in 2021 the 19th CPC Central Committee stated its aim as:

pioneering a uniquely Chinese path to modernization, creating a new model for human advancement, and expanding the channels for developing countries to achieve modernization.³

Whereas the Congress narrative sees China as a danger and risk to global prosperity and peace, the CPC Central Committee describes China as a

1 Shiller, R. J. (2020) *Narrative Economics: How stories go viral and drive major economic events* (Princeton: Princeton University Press).

2 Strategic Competition Act of 2021, Sec. 2. Paragraph 2 (B+C), 117th Congress, 1st Session.

3 Communique of the 6th plenary session of the 19th CPC Central Committee, Xinhua, 11 November 2021.

contribution to human progress and support for developing countries. Often this Chinese understanding is summarised in terms of win-win cooperation and establishing a society of common destiny.

In its Strategic Outlook the EU describes China in a more sophisticated way:

China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.⁴

In the Political Guidelines 2024–2029 presented by President Ursula von der Leyen for the new EU Commission in July 2024 the following judgment is expressed:

The more aggressive posture and unfair economic competition from China, its ‘no-limits’ friendship with Russia (...) reflect a shift from cooperation to competition.⁵

Nothing is more dangerous than correctly answering the wrong question. Is the European description of China as a ‘systemic rival’ helpful in analysing the opportunities, difficulties and conflicts with China? Is the framing of authoritarian states versus democratic states useful for achieving European policy objectives? Is it the political system of China that creates problems for Europe or is it an industrial policy that is still export-based with subsidies for Chinese companies, market entry barriers and European dependency on some rare raw materials?

If India – with its longstanding and expanding strategic partnership and military cooperation with Russia; regulated market and policy oriented towards national interests; and demanding changes in the post-colonial international order – had the same economic and military strength as China, would we not face similar problems, even though India is a democracy?⁶

4 Joint Communication by the European Commission and the High Representative to the European Parliament, the European Council and the Council, EU-China – A strategic outlook, Join (2019) 5 final, Strasbourg, 12 February 2019.

5 Political Guidelines for the next European Commission 2024–2029, Strasbourg, 18 July 2024, page 25.

6 The state of play of the expanding India-Russia partnership is presented in: Joint Statement following the 22nd India-Russia Annual Summit, 9 July 2024.

2 | First impressions of China

I travelled to China for the first time in 2008.

My daughter Anna was studying at a summer university in Beijing after finishing her studies. I offered to let her stay a few more days to get to know more of the country and its people. I booked a two-week stay with a driver and guide at a travel agency in Brussels. A few days in Beijing, a flight to Shanxi province, then a round trip and return to Beijing by train; that was the programme. I had chosen Shanxi province because it is considered the cradle of the Chinese nation. This short stay in China left me with many impressions and even more unanswered questions.

Beijing in 2008 was like an urban metaphor for the rapid transformation of the entire country. A construction boom with high-rises and city highways; the disappearance of the 'hutongs', the traditional residential areas of Beijing in the old style, with narrow alleys and houses that often had a small courtyard; ever further expansion of the metropolis with additional underground lines, modern shopping centres and, as a fixed point, the palace complexes of the Forbidden City on Tiananmen Square. This architectural symbol of imperial power and a long history has been a UNESCO World Heritage Site since 1987, but at that time it was presented to tourists rather reluctantly. Perhaps the political difficulties of dealing with the feudal past were to blame, or simply a lack of experience in tourism that prevented an adequate presentation of this masterpiece of Chinese architecture.

Our guide in Shanxi province was a young Chinese woman who had just finished her studies in German and was temporarily earning money from working with tourists. She had never left her home province, but nevertheless spoke serviceable German. To make it easier for us to talk to her, she had given herself the German name 'Martha'. In Shanxi, I saw many Chinese on bicycles for the last time. The sky was grey with air pollution, everyday urban life was vibrant, and countless mobile street vendors offered food everywhere. It also amazed me how little care was taken with the historical heritage of this ancient cultural nation at the

time. My daughter was very disappointed that there was no moment of religious reflection when visiting Buddhist temples. What remained after the visit was the unpleasant feeling that it was all about making money by selling cheap souvenirs. In subsequent visits to China, however, I met Chinese people for whom a visit to a temple and the teachings of Buddha are still important elements of life today.

One scene in particular stuck with me and exemplified China's upheaval. As we drove through the countryside by car, we saw Chinese peasant women sitting by the side of the road selling pumpkins and root vegetables. Some distance away we noticed a small settlement. We stopped and I asked Martha if we could visit the village. Martha passed the word around that we were decent people and had a genuine interest in learning about life in China. After some hesitation, a woman finally agreed to take us to the village. We followed the sun-tanned peasant woman in a straw hat on foot along a dusty dirt road. When we arrived, we found an almost deserted settlement of a few huts arranged around a square. The men were obviously out in the fields. Chickens were running around freely. We walked towards an unplastered mudstone hut covered with corrugated iron where our farmer's wife lived. There was only one room with a wooden table, plastic chairs, a chest and a stone stove with mattresses on top of it. A young girl in jeans and a T-shirt came out of the hut. With her appearance, she wouldn't have looked out of place on the streets of Brussels or Berlin. She was the daughter and only child of the farmer's wife. Martha introduced us, explained that we were German, father and daughter, and that we wanted to get to know China. Anna mentioned her summer course at the university in Beijing. The girl was interested and replied that she had never been to Beijing. She still wanted to learn a lot and hoped that she would pass her exams and maybe get into university one day. A girl in the neighbouring village had made it, after all. Her father would support her, while her mother said she should rather think about working and look for a job in the nearby city. We exchanged a few more pleasantries, then said goodbye to the farmer's wife, left some money, which was gladly accepted after some initial hesitation, and continued our journey.

Later, I would have the opportunity to visit more villages in different parts of China. Again and again, I found that the young generation had already said goodbye to rural life and its traditions and saw their future in the